SUPREME COURT, U. S.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

No. 1200

HUMBLE OIL & REFINING COMPANY, a corporation, ESSO, INCORPORATED, a corporation, and STANDARD OIL COMPANY, a New Jersey corporation,

Petitioners,

v.

AMERICAN OIL COMPANY, a corporation, and STANDARD OIL COMPANY, an Indiana corporation,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1968

HUMBLE OIL & REFINING COMPANY, a corporation, ESSO, INCORPORATED, a corporation, and STANDARD OIL COMPANY, a New Jersey corporation, *Petitioners,* v. AMERICAN OIL COMPANY, a corporation, and STANDARD OIL COMPANY, an Indiana corporation, *Respondents.*	No.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

Petitioners pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Eighth Circuit, entered in the above-entitled case on January 9, 1969.

Citation to Opinions Below

The opinion of the District Court (R. 66-82), denying petitioners' petition for modification of an injunctive decree entered in 1937, is printed in Appendix C hereto (*infra,* pp. C1-18) and is reported at 259 F. Supp. 559. The opinion of the Court of Appeals, affirming the judgment of the District Court, is printed in Appendix A hereto (*infra,* pp. A1-37) and is reported at 405 F.2d 803.

Jurisdiction

The judgment of the Court of Appeals, printed in Appendix B hereto (*infra*, p. B1), was entered on January 9, 1969. The jurisdiction of this Court is invoked under 28 U. S. C. § 1254 (1).

Questions Presented

1. Did the Court of Appeals misconstrue and misapply this Court's decision in *United States* v. *Swift & Co.*, 286 U. S. 106, in holding that the language of that decision "limits" the power of a court of equity to modify an injunctive decree that has demonstrably restrained competition in the marketing of petroleum products in several areas of the country, when the petitioners are asking that the restraints flowing from such decree be removed in order to achieve "workable competition in the market" (*cf. United States* v. *United Shoe Machinery Corp.*, 391 U. S. 244, 252).

2. Did the Court of Appeals, in confirming a "territorial allotment" to Standard Oil Company (Indiana) of the exclusive right to use the name Standard Oil and any names and marks derived therefrom in a 15-state area, and barring petitioners from competing therein with their well known trademark ESSO, fail to give required regard and effect to the antitrust laws and this Court's decision in *Standard Oil Co.* v. *United States*, 221 U. S. 1.

3. Did the Court of Appeals err in confirming and continuing a right of exclusive use of a trademark that has lost its exclusive identity with the products and good will of any one company and derives its value from the general reputation and common good will of several companies.

4. Can the doctrine of "unclean hands," invoked by the District Court but not by the Court of Appeals, be invoked in private litigation involving important issues of antitrust law to bar consideration of the merits of the action or to bar relief which would eliminate the effects of an anti-competitive arrangement.

Statutory Provision Involved

Section 1 of the Sherman Act, 15 U. S. C. § 1, provides, in pertinent part, as follows:

> "Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. . . ."

Statement

This case arises from petitioners' efforts to modify a 1937 decree of injunction (printed in Appendix E hereto, *infra,* pp. E16-17), issued by the United States District Court for the Eastern District of Missouri and affirmed by the Eighth Circuit, which prohibits Standard Oil Company (New Jersey) ("Jersey") and its affiliates from marketing petroleum products under their ESSO trademark in fourteen midwestern states[1] where the decree granted Standard Oil Company (Indiana) ("Indiana") and its affiliates the exclusive right to use the name Standard Oil and any trademark derived therefrom. *Esso, Inc.* v.

[1]Michigan, Indiana, Wisconsin, Illinois, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Kansas, Oklahoma, Montana, Wyoming and Colorado. These states plus Nebraska, where Indiana commenced marketing in 1939 by acquisition of Standard Oil Company of Nebraska (A4, A12), are sometimes referred to herein as the "15-state area" or the "midwest."

Standard Oil Co. (*Indiana*), 98 F. 2d 1 (8th Cir. 1938).[2] The Court there held that, despite the dissolution of the Standard Oil Trust, directed by this Court's 1911 decision in *Standard Oil Co.* v. *United States,* 221 U. S. 1, Indiana retained the exclusive right to the Standard Oil name and cognitive marks in the states that constituted Indiana's "allotted territory" under the Trust.

In its 1911 opinion, this Court held that the Trust's system, under which Jersey, Indiana and its other members were confined in their marketing to assigned districts from which all other members were excluded, had "operated to destroy the 'potentiality of competition'" (221 U. S. at 73-74), and the Court ordered the dissolution of the Trust in the clear expectation that thereafter the former members of the Trust would be freed to compete with each other fully and effectively.

The decree entered was not only one of dissolution of the combine, but also of injunction against the companies entering into agreements in the future tending to bring about violations of the Act (221 U. S. at 79). Each company continued thereafter to operate in its historic territory under the Standard Oil name, but obviously without right to foreclose full competition therein by any other Standard Oil company or to enter into any arrangement that would limit such competition.

In 1935, Esso, Inc., at that time a wholly-owned subsidiary of Jersey, entered Indiana's historic territory by opening three gasoline service stations in St. Louis, Missouri. These stations were identified by the red, white and blue ESSO oval, and both stations and products were clearly marked

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[2]The 1938 decision of the Court of Appeals is printed in Appendix D hereto (*infra,* pp. D1-14). The 1937 Findings of Fact and Conclusions of Law of the District Court, printed in Appendix E hereto (*infra,* pp. E1-17), are reported at 27 Trade Mark Rep. 544 (E. D. Mo. 1937).

to indicate that ESSO was not connected with Indiana (D4-5; E8-9). Indiana sued to enjoin the use of ESSO, and in 1937 the United States District Court for the Eastern District of Missouri entered a decree enjoining Esso, Inc. from using ESSO or any trademarks such as "Standard Oil Company," "Standard Oil," "Standard," "SOCO" or "SO," or symbols colorably similar thereto, in the fourteen states where Indiana was then marketing under the Standard Oil name. *Standard Oil Co. (Indiana)* v. *Standard Oil Co. (New Jersey)*, 27 Trade Mark Rep. 544 (E. D. Mo. 1937) (E1-17). The decision of the District Court and the injunction pursuant thereto were affirmed by the Eighth Circuit in 1938. *Esso, Inc.* v. *Standard Oil Co. (Indiana)*, 98 F. 2d 1 (8th Cir. 1938) (D1-14).

The 1937 decision of the District Court and the 1938 decision of the Eighth Circuit were bottomed on the essential finding, required by this Court's landmark decisions in *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U. S. 90, and *Hanover Star Milling Co.* v. *Metcalf*, 240 U. S. 403, that "the only Standard Oil reputation known to the public" in the midwest at that time was the reputation of Indiana, and *therefore* Indiana was entitled to protection in its territory against the use of Standard Oil or any trademark or tradename derived therefrom, such as ESSO, by another Standard Oil Company *because* such use would cause such other company's goods and products to be sold in such territory as those of Indiana (D13).

On appeal in 1938, appellant Esso, Inc. pointed out to the Court of Appeals that the absolute prohibition against use in the midwest by any former member of the Trust other than Indiana of any trademark derived in any way from the name Standard Oil would inhibit effective competition among the former members of the Trust and would thus operate to frustrate the purpose of the 1911 dissolution

decree which was to encourage competition among the former members of the Trust (Supp. R. 517-20). The Court of Appeals rejected this argument (D14), and, in the succeeding years, the mandate of the decree was relied on and extended by other judicial decisions to territorialize the use of the Standard Oil name and any cognitives thereof according to the territorial allotment made among the Standard Oil companies under the Trust,[3] and the companies accepted the decisions as binding law encompassing most of the United States.[4]

The instant action, commenced on July 9, 1963, pursuant to Rule 60(b) of the Federal Rules of Civil Procedure, requested modification of the 1937 decree to permit Humble, Jersey's domestic marketing affiliate, to use its ESSO trademark in the marketing of its petroleum products in the 15-state area in which Indiana had been awarded the exclusive right to use the Standard Oil name and marks.

Petitioners' request for modification was based on the facts (1) that the good will and reputation embodied in the Standard Oil name is no longer, if it ever was, exclusively attributable in the 15-state area to Indiana and its affiliates, but today, for a nation on wheels, accustomed to national advertising and to whom state lines mean nothing, is actually the common reputation and good will of all the Standard Oil companies; (2) that in today's marketing the use of a single nationally known trademark for a

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[3] *Standard Oil Co. (Ohio)* v. *Standard Oil Co. (Indiana)*, 252 F. 2d 65 (10th Cir. 1958); *Humble Oil & Refining Co.* v. *Standard Oil Co. (Kentucky)*, 229 F. Supp. 586 (S. D. Miss. 1964), *rev'd*, 363 F. 2d 945 (5th Cir. 1966), *cert. denied*, 385 U. S. 1007. The latter action, in which Humble was enjoined from using ESSO in five southeastern states, is still pending in the district court, and that action would necessarily be governed by this Court's decision in this proceeding (*John Simmons Co.* v. *Grier Bros. Co.*, 258 U. S. 82).

[4] R. C-306-08; R. C-667-74; p. A15, *infra*.

nationally distributed product is vital to effective competition; (3) that the public in all parts of the country is now familiar with the Standard Oil cognitives used by the several Standard Oil companies and can distinguish among them, so that confusion is minimal—hence the 1937 decree has operated, and will continue to operate, without justification in trademark law, to restrain and inhibit effective competition among the various Standard Oil companies and to perpetuate unjustified and unfair territorial monopolies in the use of the Standard Oil name and reputation, in contravention of the public policy in favor of full and effective competition and this Court's decision in *Standard Oil Co.* v. *United States, supra.*

The District Court, on September 29, 1966, filed its findings of fact and conclusions of law and decree dismissing the complaint and continuing in full force and effect the 1937 decree (C1-18). It did not make any finding as of today tracking the essential finding on which the 1937 decree rested, that the only Standard Oil reputation known to the public in the midwest was the reputation of Indiana because that public's only experience with a Standard Oil company was with Indiana, but held that petitioners had not met the burden of proof required for modifying a decree imposed by the language of this Court's opinion in *United States* v. *Swift & Co.,* 286 U. S. 106, and that, even had they done so, relief would be denied on the ground of "unclean hands" alone (C5).

The Court of Appeals, in affirming, recognized that "change has come about since 1937"; that the motoring public, "a generation on wheels," mobile and travelling from one Standard Oil territory to another not only over long distances but also in short commuter traffic, "thinks nationally;" that there have been "great advances in radio and television" and "advertisements are not to be limited by geographical configurations," so that by 1960 "it had be-

come obvious that it was desirable to attain, if possible, uniform identification of stations and products" in nationwide marketing;[5] that gasoline credit cards, in wide use throughout the country, usable at stations of any Standard Oil company, "distinguish" among the several Standard Oil companies and their individual identifying trademarks, so that the companies are satisfied to advertise by these cards each other's marks as those of "non-affiliated" companies.

The Court of Appeals further recognized (A28) as had the Court of Appeals for the Fifth Circuit (363 F. 2d at 946, 951) that—unlike the conditions existing in 1937, when the Court found (D12-13) that "There was no good will owned in common [by the several Standard Oil Companies], but a separate good will appertaining to the separate business as carried on by the various companies in their allotted territory"—now "the Standard Oil image is a general one" (A28), the good will in the Standard Oil name is attributable to all the Standard Oil companies and must be "shared" among them (363 F. 2d at 946, 951). Therefore, the Court of Appeals did not find, any more than had the District Court, that there any longer existed the condition that was the predicate of the 1937 decree, namely, that the midwestern public's only experience with a Standard Oil company was with Indiana and that the only Standard Oil reputation known to that public was the reputation of Indiana (D12-13).

The Court of Appeals also recognized the anti-competitive effect of the territorial allocation of the use of the

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[5]In the most practical and pointed recognition of the desirability of nationwide identification of stations and products, Indiana has extended nationally the use of its red, white and blue torch and oval sign, substituting the word "American" for the word "Standard" outside the midwest (A13), and has diminished and curtailed its use of SO and SOCO to "small letters" on road maps and pumps (A26-27), a token use just short of abandonment for the purpose of attempting to forestall competition by ESSO and SOHIO in the 15 states.

Standard Oil name and all derivations therefrom, as graphically demonstrated by the figures it noted under the heading in its opinion entitled "The importance of nationwide marks and names." In 1964, Standard of Ohio ("Sohio") made 31% of the retail gasoline sales under its SOHIO label in Ohio, but less than .2% of the sales in the adjacent three states where it uses the name BORON. In the 15-state area Indiana has 18% of the gasoline market. Humble has less than 1.7% and neither Standard of California (including Standard of Kentucky) nor Sohio has as much as .5%. In contrast, in New England and New York, where there has been no objection and injunction against more than one Standard Oil company using marks of Standard Oil derivation, Mobil Oil Corp. (formerly Socony) continues to lead the market with approximately 16%, and Humble, which has used ESSO in these states without restriction, is a close competitor with about 12% of the market (A27).

Thus the Court of Appeals, with due recognition of the fact that use of nationwide marks on a national basis "enables a company to compete more effectively" (A27), stated that "were the slate clean, one might argue with some force that full and unlimited competition among all the Standards . . . would be good for the public and would be in the national tradition" (A36). But the slate was "not clean and unencumbered," the Court held, and it recited as the encumbrances the "1911 decision," "the dissolution of the old Trust" and "the territorial allotment flowing from that dissolution," and the 1937 decree and like decrees of other courts following the Eighth Circuit decision (A36-37).

Indeed, the Court seemed to view the 1911 decision of this Court and the dissolution of the Standard Oil Trust as contemplating and countenancing the territorial allotment of the use of the Standard Oil name along the same geographical lines as had obtained under the Trust, for the Court at

the beginning of its opinion spoke of the "practical result" of the 1911 dissolution decree as being that "each of the several Standard Oil companies, which had been part of the Trust, thereafter operated separately and independently and with exclusive use of the Standard name in that area of the nation which had been allotted to it originally" (A4), and spoke at the end of this "territorial allotment" as "flowing from that dissolution" (A36-37).

The Court, therefore, virtually brushed aside "the impact of the anti-trust laws" and the public interest in competition and viewed the case narrowly as private trademark litigation. It rejected the premise of plaintiffs' argument—that modification was dictated when the original injunction, based on a different set of facts, could not properly have been entered on the state of facts that now exists—and held, to the contrary, that Indiana was entitled to continuance of the absolute trademark protection accorded by the 1937 decree although the essential predicate of that decree no longer existed and despite the Court's conclusion that competition might best be served by eliminating the restraint.

The Court held that the test of the propriety of modification of the 1937 decree was the full strictness of the "limits of inquiry" language of this Court's opinion in *United States* v. *Swift & Co., supra.* Deeming the "controlling issue" to be "whether the use of ESSO in the 15-state area would occasion confusion in the buying public" (A21-22)—an issue which would not even be reached unless Indiana had solidly grounded rights by "territorial allotment" in the exclusive use of the Standard oil name and cognitives in the midwest—the Court found that there would still be "more than a mere shadow" of confusion, due to the existence of several Standard Oil companies, and held that *Swift* barred modification of the decree because the danger of confusion that the decree had been designed

to avoid had not "become attenuated to a shadow" and plaintiffs had not proved they were "suffering hardship so extreme" as to be the "victims of oppression" (A31-32).

Reasons for Granting the Writ

This case, involving the vitals of the marketing of petroleum products in the United States, presents important questions of broad practical and legal significance concerning the proper relationship between trademark rights and the antitrust laws and the proper construction and application of this Court's decisions in *Standard Oil Co.* v. *United States*, 221 U. S. 1, and *United States* v. *Swift & Co.*, 286 U. S. 106.

The decision below, compounding three fundamental errors—in its holdings (1) that the language of *Swift* limited the power of the Court to inquire into and remove the restraint on competition imposed by the 1937 decree, (2) that the "territorial allotment" involved was an unexceptionable arrangement "flowing from the dissolution" of the Standard Oil Trust, (3) that an exclusive trademark right should be continued although the essential predicate of such a right no longer exists—perpetuates a restraint on competition among Standard Oil companies by sanctifying and enforcing a "territorial allotment" under which each Standard Oil company is accorded, in the territory allotted to it under the Standard Oil Trust, the exclusive right of use of the Standard Oil name and any name or mark derived from or cognitive of Standard Oil.

The consequence is that the several Standard Oil companies, each with its principal trade name or mark in some respect identified with Standard Oil, may not use such name or mark in national marketing or in a vast majority of the states in which another Standard Oil company had a monopoly of Standard Oil marketing under the Trust.

As national marketing under national marks is essential to effective competition among oil companies, the prevention of use in national marketing of the principal marks of the Standard Oil companies, and territorialization of the right of each company to use the Standard Oil name and any marks derived therefrom, is a restraint on competition of the widest effect.

I.

The Court of Appeals was confronted with two questions of the largest public importance: (1) whether the 1937 decree had operated to restrain competition in the marketing of petroleum products in a fifteen state area of the middle west in contravention of antitrust principles and this Court's opinion in *Standard Oil Co.* v. *United States supra,* (2) whether, in the case of a trademark of national cognition used by several owners with equal rights in the trademark, one owner is entitled to the exclusive use of the trademark and the contined injunctive protection of such use in a fifteen state area, when the trademark has ceased to be identified in that area exclusively with the products of such user. Instead of determining the issues—indeed, despite the indication in the Court's opinion that if it were to decide the issues on the merits it would modify the decree in the interest of attaining effective competition in the petroleum industry—the Court held that it was inhibited from reaching the merits because of the limitation on its power to modify a decree laid down by the "limits of inquiry" language in this Court's opinion in *Swift.*

The record is a demonstration of the anti-competitive effects of the 1937 decree in territorializing the right of exclusive use of the Standard Oil name and the Standard Oil reputation and good will attributable nationally to all the Standard Oil companies. Due regard for the public policy

embodied in the antitrust laws and required obeisance to this Court's 1911 decision, outlawing and dissolving the Standard Oil Trust, dictated modification of the 1937 decree to eliminate the restraint on competition that decree imposed by its "territorial allotment" to Indiana of the exclusive right to use the Standard Oil name and any cognitive thereof—excluding the nationally-known brands of other Standard Oil Companies from competition—in the 15-state area which was Indiana's allotted territory under the operation of the Standard Oil Trust.

The Court of Appeals deemed itself powerless, however, to modify the decree in accordance with antitrust and trademark principles because of "the requirements of Swift," perceived in the language of this Court's opinion in that case.

The Court of Appeals thus misconceived the rule of *Swift* and misapplied it in this case. The Court overlooked the altogether different factual and legal fundamentals between the two cases, with a result reached in this case that is the obverse of that dictated by the underlying principle of this Court's decision in *Swift*.

Swift was an antitrust case ending in a decree against continuing anti-competitive practices. The defendants moved for modification to soften the remedial provisions of the decree. This Court, addressing itself to the underlying facts that had led to the decree—that "defendants had abused their powers so grossly and persistently as to lead to the belief that even when they were acting separately, their conduct should be subjected to extraordinary restraints," and considering the public interests the decree was designed to protect—concluded that the risks in loosening the restraints upon the defendants had not become so attenuated as to justify modification of the decree in their favor.

In contrast, in the present case, it is the decree itself that is anti-competitive in effect, and the relief that is requested is the removal of a restraint on competition.

This Court has duly noted that the "language" in *Swift* must be read in the light of its "context," and that its "thrust" is "misconceived" if applied obversely to refuse modification of a decree that should be modified in the interest of promoting competition. *United States* v. *United Shoe Machinery Corp.* 391 U. S. 244.

Ironically, the Court of Appeals here quoted (A20) from this Court's opinion in *United Shoe Machinery* with a significant ellipsis revealing that the Court misread both the *Swift* and *United Shoe Machinery* decisions. The quotation, with bracketing of the vital missing part, is subjoined:

> "*Swift* teaches that a decree may be changed upon an appropriate showing, and it holds that it may *not* be changed in the interests of the defendants if the purposes of the litigation as incorporated in the decree . . . [(the elimination of monopoly and restrictive practices)] have not been fully achieved."

As a consequence, the Court erroneously rejected, as "not consistent with the language and with what we regard as the requirements of *Swift*" (A21), the altogether correct proposition petitioners stated to the Court:

> ". . . that a party is entitled to modification when the original injunction, based on a different set of facts, could not properly have been entered on the state of facts that now exists. When such a change has taken place, the change of fact is the equivalent of a change of law" (Brief for Appellants at 85).

> "The essential issue before the Court is whether, on the facts shown to exist today, which were demonstrated in an exceptionally full record, and pursuant to the policy of the trademark and antitrust laws, the Court would issue the injunction that it issued in 1937 . . ." (*Id.* at 149).

And the Court thus departed from fundamentals both of trademark law and antitrust law, continuing the protection of a trademark no longer entitled to protection and perpetuating a restraint on competition not required by *Swift* but condemned by both *Swift* and *United Shoe Machinery,* and opposed to the command of dissolution and injunction issued by this Court in *Standard Oil Co.* v. *United States.*

II.

The Court of Appeals thought itself stayed from making the modification of the 1937 decree that would serve the public interest in more effective competition, not only by the language of *Swift,* but also by its view, patently erroneous, that this Court's 1911 decision, outlawing the Standard Oil Trust and directing its dissolution, assumed the continuance of the "territorial allotment" held to be illegal, to the extent that the exclusive right to the use of the Standard Oil name and cognitive marks would follow the territorial pattern of assigned operations under the Trust.

"Were the slate clean," the Court acknowledged, there would be force in the argument that full and unlimited competition among all Standard Oil companies "would be good for the public and would be in the national tradition" (A36). But the Court felt constrained against rendering the decision that the public good and national tradition would dictate because the slate was "not clean and unencumbered." The encumbrances, as the Court saw it, in-

cluded the "1911 decision" and "the dissolution of the old Trust" and the "territorial allotment" that was the "practical result" "flowing from the dissolution" (A36-37).

It is submitted that this holding is wholly without warrant, and that it is anomalous to suggest that a decision that outlawed the Standard Oil Trust because the territorial allotment of operations thereunder destroyed the potentiality of competition—a decision designed to stir competition among the companies—contemplated that the same system would continue in the allocation of territory in which each Standard Oil Company would have the exclusive right to use the Standard Oil name and any cognitives thereof.

The Court thus sanctified a restraint on competition among Standard Oil companies akin to the restraint that existed under the Standard Oil Trust. Under the operation of the Trust, each Standard Oil company had an assigned territory in which it had the exclusive right to operate as a Standard Oil Company (221 U. S. at 77). Since the dissolution of the Trust the several Standard Oil companies have not been totally confined in their operations by the same territorial allocations, but the 1937 decree and its counterparts in other jurisdictions have served to restrain and inhibit competition along the same lines as the outlawed Trust by maintaining the same territorial allotments in which each company has been given the exclusive right of the use of the Standard Oil name and any mark cognitive of Standard Oil.

It cannot be doubted that any arrangement among the companies to this effect would have run afoul of the injunctive provisions of the 1911 decree and the public policy expressed in the antitrust laws. *White Motor Co.* v. *United States*, 372 U. S. 253; *Timken Roller Bearing Co.* v. *United States*, 341 U. S. 593; *United States* v. *National Lead Co.*, 332 U. S. 319. A plea that the allocation of territory followed trademark rights would have been to no avail. *United*

States v. *Sealy, Inc.*, 388 U. S. 350; *Timken Roller Bearing Co.* v. *United States, supra; Serta Associates, Inc.* v. *United States,* U. S. (February 25, 1969). The allocation made is no less repugnant to antitrust principles because it is the product of mistaken judicial decision. *Columbia Artists Management Inc.* v. *United States,* 381 U. S. 348. It did not flow from the 1911 decree, it rose against it.

The Court of Appeals' refusal to make required modification of the 1937 decree was not due to any lack of appreciation of the restraint it imposed, for the opinion sufficiently noted the anti-competitive effect of the decree that nothing beyond the recitals of the opinion itself is necessary to show the restraint.

It is "obvious," the Court noted, that for "a generation on wheels" that "thinks nationally" it is "desirable to attain, if possible, uniform identification of stations and products". To deny to Jersey and other Standard Oil companies the use of their distinctive identifying marks in all states in which other Standard Oil companies were assigned the use of the Standard Oil name by the Trust is to deprive them not only of the national value of their trademarks but of the essential of effective nationwide competition.

The figures given in the Court's opinion (A27), for example, of Sohio having 31% of the market in Ohio where it uses SOHIO and only .2% of the market in adjacent states where it uses BORON, and of Humble having less than 1.7% of the market (Standard of California and Sohio having less than .5%) in the 15 states Indiana calls "its territory" and enjoys 18% of the market, are proof conclusive of the nature and extent of the restraint on competition that the 1937 decree and following decisions have perpetrated and perpetuated.

It is not necessary to say more to establish that the Court was in error in regarding the historic as hallowed

and in exalting trademark considerations over antitrust considerations, assuming, as was not the case (*infra*, pp. 19-22), that there was some warrant in trademark law for the Court's trademark rationale.[6]

The Court acted contrary to fundamentals in subordinating, virtually ignoring, the far reaching antitrust aspects of the case which should have been given paramount consideration. Certainly, with any change of significance in the circumstances that led to the 1937 decree, assuming that it was warranted under the circumstances then existing, the Court should have modified the decree as antitrust considerations dictated.

The fact that the Standard Oil companies are not precluded from competing with each other under other trademarks does not affect the illegality of the territorial arrangement that substantially restrains competition. The antitrust laws do not depend for invocation upon the elimination of *all* competition among competitors or potential competitors. Rather, they look to the effectiveness of a particular restraint in limiting the effectiveness of competition. *United States* v. *Container Corporation*, 21 L. Ed. 2d 526 (1969); *United States* v. *General Electric Co.*, 82 F. Supp. 753 (D. N. J. 1949). The effectiveness of the restraint here is beyond cavil.

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[6]In 1937, when the injunction was issued, no court had yet squarely faced the issue as to whether an agreement regulating the use and exploitation of common trademarks might constitute a violation of the antitrust laws. Since that time, however, Congress has declared that a trade mark may not be "used to violate the antitrust laws of the United States," 15 U. S. C. § 1115(b)(7), and this Court has specifically held that trademarks may not be used as a device for effecting a division of territories among competitors. *Timken Roller Bearing Co.* v. *United States*, 341 U. S. 593, 598-99; *United States* v. *Sealy, Inc.*, 388 U. S. 350; *Serta Associates, Inc.* v. *United States*, U. S. (February 25, 1969). See also *United States* v. *Bayer Co.*, 135 F. Supp. 65 (S.D.N.Y. 1955); *United States* v. *General Electric*, 82 F. Supp. 753 (D. N. J. 1949).

III.

The Court of Appeals was in error even if it were correct in its underlying assumption that trademark principles should govern and antitrust principles should be disregarded.

The 1937 decree necessarily rested on a finding (D12) that at that time "the only Standard Oil reputation known to the public" in the midwestern states was the reputation of Indiana—or as Indiana then argued, the midwestern public "had never had any experience with any Standard Oil products except those of the plaintiff [Indiana]"—and "There was no good will owned in common [by the several Standard Oil companies], but a separate good will appertaining to the separate business as carried on by the various companies in their allotted territory" (D12-13).

The facts today are entirely different. No one would any longer suggest that the only experience the midwest public has had with Standard Oil products is with Indiana. Rather, as the Court of Appeals observed, "the Standard Oil image is a general one" (A28), or as the Court of Appeals for the Fifth Circuit noted (363 F. 2d at 946, 951), the goodwill in the Standard Oil name is attributable to all the Standard Oil companies and must be "shared" among them.

The required sharing is, of course, possible by territorial allocation of the right of user, but that is not a form of sharing permissible under the antitrust laws and this Court's 1911 decision. The only sharing compatible with the antitrust laws and the 1911 decree is a competitive sharing, with each company entitled to use its established marks anywhere, not barred because those marks have a natural identification with the common Standard Oil name.

On trademark principles, regardless of antitrust principles, Indiana could claim exclusive trademark rights in the Standard Oil name and cognitives in the midwest only

if, to the midwestern public, that name and all its cognitives means only Indiana. *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U. S. 90, 97; *Canal Co.* v. *Clark*, 80 U. S. (13 Wall.) 311. Neither the District Court nor the Court of Appeals made any such finding as of today. Rather the Court of Appeals held that the lack of basis for such a finding was "unimportant" because "Indiana is the only company which properly has used the name in the Midwest" (A33). In sum, the continuance of the Indiana territorial monopoly in the Standard Oil name and cognitives rests on no more than the fact that Indiana has enjoyed such a monopoly in the past.

On settled trademark principles, Indiana has lost any exclusive trademark rights in the Standard Oil name because nowhere does Standard Oil mean exclusively Indiana. *United Drug Co.* v. *Theodore Rectanus Co., supra* at 97. The predicate of the 1937 decree—the then existing territorial isolation of separate Standard Oil reputations, one individual reputation for each territory, and no common good will to be shared—clearly no longer exists and there is no pretense that it does. The District Court and Court of Appeals were clearly wrong, therefore, in holding that trademark law entitles Indiana to any exclusive territorial use of the Standard name and cognitives against other Standard Oil companies which have an equal right to use their established marks in national competition.

The Court of Appeals thus approached the case from an erroneous premise, in defining the "controlling issue" as "whether the use of ESSO in the 15-state area would occasion confusion in the buying public," and in holding, with the language of *Swift* as its guide, that the standard of decision was whether the percentage of confusion could be dismissed as "attenuated to a shadow."

A question of confusion would not even arise, much less be determinative, unless Indiana had solidly grounded

trademark rights in the Standard name and all cognitives in the midwest against all other Standard Oil companies. Indiana has no such valid claim and possible confusion is therefore immaterial as a trademark matter. It is something to be dealt with by required identification of the particular source of any product, not by the territorialization among Standard Oil companies of the exclusive right to use the Standard name and any marks derived therefrom. *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111, 119.

The proposition on which petitioners stood was correct, that "a party is entitled to modification when the original injunction, based on a different set of facts, could not properly have been entered on the state of facts that now exists." The essential predicate of the 1937 decree, and for the continuance of it, does not now exist. It was, therefore, fundamental error for the Court of Appeals to reject petitioners' premise, stating that it was "not consistent with the language" of *Swift*.

Again the Court misread *Swift*, for in *Swift* there was no question that the United States was still entitled to the injunction issued—the public interest that the injunction was designed to protect was unquestionably still entitled to protection—and the only question was whether the remedy of the injunction could be modified without risk to the interest to be protected; whether the "dangers" to be guarded against had "become attenuated to a shadow." The rationale of decision and language of *Swift* have no application to a case where the interest protected by the injunction is no longer entitled to protection. The Court of Appeals was clearly wrong in jumping over the basic trademark question of whether Indiana, on the existing facts, has any trademark right to the exclusive use of the Standard Oil name and cognitives in the fifteen states of the midwest, and in defining the issue as whether possible confusion had become "attenuated to a shadow."

The Court was likewise in error in deeming from *Swift* that it was necessary for petitioners to show that they were "suffering hardship so extreme" as to be the "victims of oppression" in order to raise the question of whether Indiana any longer had the exclusive right to the Standard Oil trademark that the 1937 decree awards. Since the predicate of that right no longer exists, the denial to petitioners of their right to use ESSO is an illegal deprivation of serious proportions. Further characterization of the wrong is neither necessary nor relevant, although indeed it is oppressive and a denial of the equal protection of law.

There is not involved here in any way any attempt at imitation or palming off, nor is there any basis for concern about such confusion as may arise only from the fact that there are several Standard Oil companies, all of equal legitimacy, but using different and readily identifiable and distinguishing marks, such as

. Indeed, the varying marks are so distinguishable that the Standard Oil companies join in the mutual issuance and honoring of credit cards that advertise each others' marks as "non-affiliated" (A24).

Jersey does not even use its name, as it might properly do, in the domestic marketing of petroleum products. It is the name of its marketing subsidiary HUMBLE that is on the stations selling ESSO products. There is no lack of truth, honesty or fair dealing in the situation and there is no longer justification, if there ever was, in the "territorial allotment" made by the 1937 decree. On the contrary, this territorialization, so at odds with the requirements of national marketing, is a restraint on competition offensive alike to trademark law and antitrust law.

IV.

The incidents upon which the District Court's finding of unclean hands was based included: (i) Humble's action in bringing suit in the United States District Court for the Western District of Oklahoma to enjoin the unauthorized use of ESSO by a local marketer (see *Standard Oil Co. (Indiana)* v. *Standard Oil Co. (New Jersey)*, 239 F. Supp. 97 (E.D.Mo. 1965)); (ii) a proposal for litigation, according to the Court's finding, made in 1960 by Jersey's lawyers in a meeting with lawyers for Standard Oil of Ohio, which the District Court found was intended to deceive the courts, although the Ohio lawyers, whom the District Court found to have told the truth, denied it was in any way intended to deceive the courts; and (iii) the testimony of Jersey's and Humble's lawyers denying that they had made any such proposal (C12-15).

The District Court's finding of "unclean hands" was entirely unwarranted in law or in fact.

It is altogether indefensible to suggest, even if Humble may not use ESSO in marketing in the 15-state area, that Humble cannot sue a flagrant infringer of the ESSO trademark without first seeking the permission of Standard of Indiana or the United States District Court for the Eastern District of Missouri.

The finding that the alleged proposal of litigation was intended to deceive the courts is without any support in the evidence and contradicted by all the witnesses upon whose testimony the District Court purported to rely in making the finding (R. A-104-05; R. A-127-28).

Patently, as the Court of Appeals implicitly recognized by its decision of the action on the merits, the doctrine of unclean hands had no place in this litigation. The doctrine is confined to conduct that is connected to the matter in

litigation and affects the relationship of the parties. *Precision Instrument Mfg. Co.* v. *Automotive Maintenance Mach. Co.*, 324 U. S. 806, 814-15; 2 *Pomeroy, Equity Jurisprudence* § 399. The alleged proposal of litigation with Sohio was never acted upon and had no relation to or effect upon the litigation between Jersey and Indiana.

Finally, the doctrine of unclean hands could not be embraced here as a determinant of the case in issue. This Court has rejected the application of the *in pari delicto* doctrine, which is a form of unclean hands, in actions involving the antitrust laws, *Perma Life Mufflers, Inc.* v. *International Parts Corp.*, 392 U. S. 134, 138-39. Therefore, as a matter of law, the doctrine of unclean hands cannot be held in this case to preclude a decision on the merits or appropriate relief.

CONCLUSION

This case presents important and substantial questions concerning the proper relationship between antitrust and trademark principles and the power and duty of the federal courts to modify injunctions. Certiorari should be granted.

Respectfully submitted,

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March 25, 1969.

APPENDIX A

Opinion of the Court of Appeals Filed January 9, 1969

UNITED STATES COURT OF APPEALS

FOR THE EIGHTH CIRCUIT

No. 18,596

Humble Oil & Refining Company, a Corporation, Esso, Incorporated, a Corporation, and Standard Oil Company, a New Jersey Corporation, Appellants, v. American Oil Company, a Corporation, and Standard Oil Company, an Indiana Corporation, Appellees.	**Appeal from the United States District Court for the Eastern District of Missouri.**

[January 9, 1969.]

Before BLACKMUN, GIBSON and LAY, Circuit Judges.

BLACKMUN, Circuit Judge.

This appeal provides yet another chapter in the story of Standard Oil and of the many Standard Oil controversies which have added color to the body of our law of trademarks, trade names, and restraint of trade.[1]

[1]For a preliminary phase of the present litigation see *Humble Oil & Refining Co.* v. *American Oil Co.*, 224 F. Supp. 909 (E.D. Mo. 1963).

Appendix A

The plaintiffs appeal from a judgment of the district court dismissing their complaint (filed July 9, 1963) by which they seek, under Rule 60(b), Fed. R. Civ. P., to modify and amend that court's injunction issued July 8, 1937, and affirmed by this court in *Esso, Inc.* v. *Standard Oil Co.*, 98 F.2d 1 (8 Cir. 1938).

The plaintiffs are three:

> Standard Oil Company, a New Jersey corporation, hereinafter called Jersey Standard or Jersey. The corporation was not an original party-plaintiff but was made such, on motion of the defendants, by district court order pursuant to Rule 19(a), Fed. R. Civ. P. Jersey's wholly-owned subsidiary, Humble Oil & Refining Company, a Delaware corporation and successor to Standard Oil Company of New Jersey, a Delaware corporation. Since Humble became Jersey's wholly-owned subsidiary in 1960, it has been its parent's nationwide marketing affiliate in the United States. Jersey itself does not carry on any marketing operations.
>
> Humble's wholly-owned subsidiary, Esso, Incorporated, a Delaware corporation.

The defendants are two:

> Standard Oil Company, an Indiana corporation, hereinafter called Indiana Standard or Indiana.
>
> Indiana's wholly-owned subsidiary, American Oil Company, a Maryland corporation. Since January 1, 1961, American has conducted all of Indiana's marketing operations in the United States.

What the plaintiffs seek, as the amended complaint asserts, is "to permit Humble to use its trademark ESSO

and marks containing 'Esso' in the marketing by Humble of its petroleum products in fifteen midwestern states in which American now markets." Judge Meredith, after a full trial, denied the relief requested (a) on the merits and (b) by application of the doctrine of unclean hands. Accordingly, he dismissed the complaint and "continued in full force and effect" the 1937 decree. The district court's findings, conclusions, and supporting memorandum are reported as *Humble Oil & Refining Co.* v. *American* Oil Co., 259 F.Supp. 559 (E.D. Mo. 1966).

Background litigation. 1. In 1909 the United States Circuit Court for the Eastern District of Missouri, with Judges Walter H. Sanborn, Van Devanter (soon thereafter Mr. Justice Van Devanter), Hook, and Adams (being all the circuit judges in the Eighth Circuit's then geographical area) constituting the court, issued its opinion holding that Standard Oil Company of New Jersey (which owned controlling interests in a number of other Standard Oil companies, including Indiana, and other corporations), seven individuals and 37 additional corporate defendants, including Indiana, were "in restraint of trade and commerce in petroleum and its products among the several states", in violation of the Sherman Act. By its decree the court enjoined the continuance of that violation. *United States* v. *Standard Oil Co.*, 173 F. 177, 197-200 (C.C.E.D. Mo. 1909).

2. On appeal, the Supreme Court of the United States, in an opinion by Mr. Chief Justice White, affirmed the circuit court's decree "except as to . . . minor matters." *Standard Oil Co.* v. *United States*, 221 U.S. 1, 82 (1911). In so doing the Court recognized that the circuit court's decree "commanded the dissolution of the combination,

and therefore in effect, directed the transfer by the New Jersey corporation back to the stockholders of the various subsidiary corporations . . . of the stock which had been turned over to the New Jersey company . . . " 221 U.S. at 78. The first Mr. Justice Harlan separately concurred in part but dissented as to the "minor matters." 221 U.S. at 82-106.

3. Accordingly, the circuit court modified its decree on July 29, 1911; the holding company distributed the stocks; and the dissolution of the Standard Oil Trust was effected. See *United States* v. *Standard Oil Co.*, 47 F.2d 288, 289 (E.D. Mo. 1931). The practical result of this was that each of the several Standard Oil companies, which had been part of the Trust, thereafter operated separately and independently and with exclusive use of the Standard name in that area of the nation which had been allotted to it originally. 221 U.S. at 77. See *Fry* v. *Layne-Western Co.*, 282 F.2d 97, 106 (8 Cir. 1960). Indiana's area at the time consisted of 11 states, namely, Michigan, Indiana, Wisconsin, Illinois, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Kansas, and Oklahoma.

4. This division and subsequent natural growth understandably led to competition and this in turn to vigorously contested lawsuits over the right to use the Standard Oil name and its various derivatives and abbreviated forms. Some of these were controversies between Standard Oil companies of the original group; most, however, were between an established Standard Oil company and an outsider who sought to employ the name. The rulings in these cases consistently have been to the effect that the name Standard Oil has a secondary meaning in the

trade and that, in the hands of the original user, it is entitled to protection against unfair use and unfair competition in the area where that user operates. Judge Meredith described it well when he said,

> [T]he particular Standard Oil Company which first and continuously used the name "Standard" and derivatives thereof in a particular trade area had the exclusive right to use that name and all derivatives therefrom to the exclusion of the other Standard Oil Companies and to the exclusion of all strangers who attempted to use the name. 259 F.Supp. at 560.

The reported cases include *Standard Oil Co.* [*Indiana*] v. *Michie,* 34 F.2d 802 (E.D. Mo. 1929); *Standard Oil Co. of New York* v. *Standard Oil Co. of Maine,* 38 F.2d 677 (D. Maine 1930), modified and aff'd, 45 F.2d 309 (1 Cir. 1930); *Standard Oil Co. of New Mexico* v. *Standard Oil Co. of California,* 56 F.2d 973 (10 Cir. 1932); *Standard Oil Co. of Colorado* v. *Standard Oil Co.* [*Indiana*], 72 F.2d 524 (10 Cir. 1934), cert. denied, 293 U.S. 620; *Esso Standard Oil Co.* v. *Bazerman,* 99 F.Supp. 983 (E.D. N.Y. 1951); *Standard Oil Co.* [*Indiana*] v. *Standard Oil Co. of North Dakota,* 123 F.Supp. 227 (D. N. D. 1954); *Standard Oil Co.* [*Indiana*] v. *Standard Oil Co.* [*Ohio*], 141 F.Supp. 876 (D. Wyo. 1956), aff'd 252 F.2d 65 (10 Cir. 1958), 76 A.L.R.2d 600; *Esso Standard Oil Co.* v. *Standard Oil Co. of North Carolina,* 112 U.S.P.Q. 265 (M.D. N.C. 1956); and *Esso Standard Oil Co.* v. *Standard Oil Co. of New England,* 170 F.Supp. 71 (D. N.H. 1958). A decision initially to the contrary, evidently the only one, involving special facts, is *Humble Oil & Refining Co.* v. *Standard Oil Co.* (*Kentucky*), 229 F.Supp. 586 (S.D. Miss. 1964); but this was reversed, 363 F.2d 945 (5 Cir. 1966), cert. denied, 385 U.S.

1007, and the final disposition of that litigation is in line with the other cited cases.[2]

It should perhaps be noted, for what it may be worth, that a Jersey affiliate, Esso Standard Oil Company, was a party in a number of the outsider cases and that it took the position in those cases, some of them within a decade of the institution of the present lawsuit, that the exclusive right to the Standard Oil name or derivatives in the territory in question belonged to it. It has taken a like position in registration and other proceedings.

5. It was the United States District Court for the Eastern District of Missouri and this court, however, which entertained the earliest litigation between constituent companies of the old Trust. That case was the one which resulted in the 1937 decree and its affirmance here. In 1935 Esso, Incorporated, opened three gasoline service stations in Saint Louis, Missouri, within the territory historically inhabited by Indiana. Indiana sued (Civil Action No. 11407 in the Eastern District) to enjoin Esso, Incorporated, from using "ESSO", alone or in combination, in Indiana's multistate area. The late Judge Moore ruled in favor of Indiana and on July 8, 1937, entered a decree, the injunctive

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[2]There are also certain unreported decisions consistent with the cited cases. Among these are *Esso Standard Oil Co.* v. *Standard Oil Co. of Virginia,* (decree entered November 29, 1955, by the United States District Court for the Western District of Virginia); *Esso Standard Oil Co.* v. *Stone Oil Co.* (decree entered October 2, 1959, by the United States District Court for the Western District of Pennsylvania); *Standard Oil Co.* [*Indiana*] v. *Standard Oil Co. of Venezuela* (decree entered April 5, 1951, by the United States District Court for the District of Nebraska); *Standard Oil Co.* [*Indiana*] v. *Green* (decree entered June 6, 1957, by the United States District Court for the Northern District of Illinois); and *Standard Oil Co.* [*Indiana*] v. *Mercer* (decree entered July 6, 1942, by the United States District Court for the District of Montana).

portion of which is set forth in the margin.[3] The court's supportive findings, described as "elaborate and in considerable detail", are summarized in the affirming opinion of this court. *Esso, Inc.* v. *Standard Oil Co.,* supra, 98 F.2d at 3-4. We place in the margin pertinent portions of those findings and conclusions[4] and pertinent portions of Judge

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[3]Defendant, Esso, Incorporated, its agents, servants, representatives, employees, attorneys, confederates, and all others acting for, with, through or under it and each of them, be and hereby are perpetually enjoined and restrained:

(a) From using in the states of Missouri, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, North Dakota, Oklahoma, South Dakota, Wisconsin or Wyoming in connection with petroleum and its products or in the petroleum industry or in connection with the sale of any articles similar to those heretofore marketed by plaintiff, in any name, corporate or otherwise, or as a brand for merchandise or in any manner:

1. The term "Esso", either alone or in combination with other names, terms, letters, marks, symbols or syllables.

2. Any of plaintiff's trademarks or trade names, i.e., "Standard Oil Company", "Standard Oil", "Standard", "SOCO", or "SO" or any names, terms, marks or symbols colorably similar thereto in sound, appearance, significance or meaning, or any combination thereof with other names, terms, letters, marks, symbols or syllables.

(b) From selling, offering or advertising for sale any product not plaintiff's product of a similar nature to the products heretofore marketed by the plaintiff in the above named states under any name or mark or by any method indicating that such product is the product of Standard Oil Company;

(c) From committing any other act or acts calculated to cause confusion or to infringe, injure or damage the rights of the plaintiff in and to its trademarks, name and good will, and from otherwise competing unfairly with the plaintiff by any means or in any manner.

[4]Among the 1937 findings of fact are:

7. Plaintiff and its products have long been known in the localities where it operates by the nicknames "S O C O", "S O", "S O Company", "Standard", and "Standard Oil."

8. In the states in which plaintiff operates there are various persons who are aware of the fact that there are several concerns

in the petroleum industry known by names which include the words Standard Oil, but in these states the terms "Standard", "Standard Oil", "S O" and "S O C O" and variants thereof are used by the public to identify the plaintiff and the plaintiff's products.

9. Defendant's parent company, Standard Oil Company (New Jersey), at various times has asserted and admitted that "Standard" and "Standard Oil" as used by each of the Standard Oil Companies in the respective localities where each operates (including the plaintiff here) indicate in each such locality the company operating in that locality and none of the others.

11. "S O" and "S O C O" are abbreviations of and equivalents of "Standard Oil", and are recognized as such by the public.

12. Standard Oil Company of New Jersey and Standard Oil Company (New Jersey), which defendant in its brief refers to as its associates, have recognized and acknowledged plaintiff's exclusive rights in "Standard Oil Company", "Standard", and "Standard Oil" in said states.

14. Continuously, since the dissolution decree in 1911, the various Standard Oil companies, including plaintiff, have used one or more of the trademarks "Standard", "Standard Oil", "Standard Oil Company", "S O C O", "S O", or abbreviations of such marks or variations of them, exclusively in the territory where each has operated under the name Standard Oil Company and each of said companies has acquired common law rights in marks used by it in the states in which it has used its said trademarks which rights are exclusive of the other companies and each has recognized the rights of each of the others to use said marks exclusively in its own locality. Each company has competed with the others without limitation of locality under many different names and trademarks, which do not include "Standard" or similar words. . . .

15. The Standard Oil Company of New Jersey, or the Standard Oil Company (New Jersey), or both, in the past in applying to various courts for protection for their trademark rights in the words "Standard" or analogous marks have repeatedly represented to said courts as a basis for desired relief that the rights of each of the Standard Oil Companies in the states in which it conducts its business are exclusive of each of the other Standard Oil Companies and that such rights in each company are based on exclusive use of such trademarks in the territory in which it has conducted its business under such trademarks.

26. Plaintiff's use of "Standard", "Standard Oil", "S O" and "S O C O", both prior to and after defendant's use of "Esso" has been a continuance of its long use of those marks and was in exercise of its then existing rights.

27. The public regard the letters "S O" when used in connection with petroleum products sold by plaintiff as being the initials of "Standard Oil Company" and "Standard Oil" and understand them to mean that such products are made by or sold by plaintiff or by a subsidiary of plaintiff or by a concern connected with plaintiff, or by a concern selling plaintiff's goods.

28. "Esso" is the spelled out form of "S O".

29. "Esso" is identical in sound and significance to "S O".

30. "Esso" is the equivalent of "S O".

31. "Esso" is confusingly similar to "S O" and "S O C O".

32. "Esso" is the equivalent of "Standard Oil" to many consumers of petroleum products.

33. Defendant's parent company, Standard Oil Company of New Jersey, in seeking relief and protection from courts of equity has asserted and represented to such courts that "Esso" is identically the same as the letters "S O" and also that "S O" is the same as "S O C O".

34. The intent of the Standard Oil Company of New Jersey in its use of Esso as a brand and as part of the corporate name of defendant "Esso, Incorporated", is to sell its goods as "Standard Oil" and "S O" goods in states in which these brands are not its trademarks and trade names, but are the trademarks and trade names of its competitors; and by so doing to enable it to deceive the public to its advantage and profit . . .

35. Members of the public seeing the word "Esso" displayed at defendant's stations believe that the products sold there are the products of the plaintiff or of a subsidiary of plaintiff, or of a company connected with plaintiff or selling plaintiff's products . . .

40. The term "Esso" does not describe and is not understood as meaning any particular grade or quality of product. It has no meaning except as the equivalent of the letters "S O".

42. Defendant's use of the colors red, white and blue in the combination in which it uses them on its stations and on its cans in which it sells its products is sufficiently different from plaintiff's combination and arrangement of such colors, that if used without the word "Esso", or any word of which "Esso" is a part, or any other word or symbol similar to or suggesting the marks or names "S O", "S O C O", "Standard", "Standard Oil", "Standard Oil Company", or any one or more of them, the public is not likely to be deceived into believing that the products sold at the stations and in cans bearing defendant's combination of such colors, are plaintiff's products.

Among the 1937 Conclusions of Law are:

1. The terms "Standard", "Standard Oil", "Standard Oil Company", "S O", and "S O C O", are plaintiff's [Indiana's]

Gardner's opinion[5] describing the arguments advanced by Esso, Incorporated, and containing this court's response thereto. 98 F.2d at 5-7.

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trademarks and trade names. Plaintiff is entitled to their exclusive use in the states in which it conducts its business.

3. Defendant's use of "Esso" infringes plaintiff's rights and constitutes unfair competition.

4. The registration of "Esso" in the United States Patent Office, whether by the defendant, Esso, Incorporated, or by Standard Oil Company of New Jersey or Standard Oil Company (New Jersey), has not created any trademark rights therein effective in any of the states in which plaintiff operates.

8. Defendant, Esso, Incorporated, is estopped to deny plaintiff's exclusive trademark rights in "S O", "S O C O", "Standard", "Standard Oil" and "Standard Oil Company" in the states in which it does business and is further estopped to deny that "Esso" is the equivalent of "S O" and that said defendant's use of "Esso" in such states is an infringement of plaintiff's rights in "S O", "S O C O", "Standard", "Standard Oil" and "Standard Oil Company".

[5]It is urged that the word "Esso" is not so similar to the trademarks "Standard Oil," "S O," and "S O C O" as to be confusing. It is the accepted rule that similarity of sound, as well as appearance, of the words or letters may constitute infringement . . . "Esso," when pronounced, is indistinguishable from "S O." The initals of the Standard Oil Company are the source from which these marks and brands were derived, and we surmise the value of the brand "Esso" lies in the fact that it suggests "Standard Oil" . . .

. . . It is the purpose of the law to protect not only the owner in his property, but to protect the public from being deceived by reason of a misleading claim that the article bearing the trade-mark is the article produced or manufactured by the owner of the trade-mark when in fact it is not. . . .

It was not necessary to show that any person had been actually deceived by the defendant's use of the trade-names or trade-marks in question and led to purchase its goods on the belief that they were the goods of plaintiff. . . . The court, however, found this to be the fact, and this finding is sustained by the evidence. . . .

The circumstance which distinguishes this case from many others is the fact that defendant's parent company bears the same name substantially as the plaintiff, and, confessedly, in its own trade territory it would have the right to use any of the words or names it is now

Thus the matter rested 30 years ago.[6]

Other background material. 1. After the dissolution of the Standard Oil Trust, some of the companies constituent thereto, including Jersey and Indiana, expanded their respective operations beyond their originally allotted territories. For the most part, however, these expansions were under names and marks other than Standard Oil or its derivatives or abbreviations.

2. On November 27, 1923, the mark ESSO was registered as Trade-Mark 176,408 in the United States Patent

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using. The question is, therefore, can it use these names, letters and marks in plaintiff's trade territory. . . .

The owner's right to have his trade-mark protected is coextensive only with the territory throughout which it is known and from which it has drawn its trade. . . .

In the instant case, the court found that the letters, words and names in controversy have, by reason of their long use in connection with the business and trade of plaintiff, come to be understood by the public in the states named, as designating the goods and products of plaintiff. In these circumstances, defendant, being subsequent in time in the territory mentioned, is not entitled to use these terms or names, even though they may be abbreviations of its own name, because to do so would cause its goods and products to be known in the market of those states as those of plaintiff.

It is argued that the defendant is endowed by inheritance or otherwise, with the name "Standard Oil Company," and that plaintiff is not entitled to a monopoly of the Standard Oil reputation. The only Standard Oil reputation known to the public in the states mentioned is the reputation of the plaintiff in this suit. . . . There was no right of good will established in this territory by the New Jersey Company. There was no good will owned in common, but a separate good will appertaining to the separate business as carried on by the various companies in their allotted territory. Not only has the New Jersey Company never had any actual business in these states, but that company has for many years acquiesced in the asserted claim of the various companies formerly in combination to the right of good will in their separate territories, and has itself claimed such rights in the territory occupied by it.

[6]For a current chapter in that 3-decades-old litigation, see *Standard Oil Co.* [*Indiana*] v. *Standard Oil Co. (New Jersey)*, 239 F.Supp. 97 (E.D. Mo. 1965).

Office by Standard Oil Company (New Jersey), a New Jersey corporation. The registration was renewed November 27, 1943, to Standard Oil Company of New Jersey, a Delaware corporation, later, by change of name, Esso Standard Oil Company, a Jersey affiliate.

3. Esso and Indiana were the only actual parties to the litigation resulting in the 1937 decree and its affirmance. By the pleadings, however, Humble and American acknowledge that each of them is necessarily "interested in and affected by" that decree.

4. Indiana was incorporated in the State of Indiana in 1889. In its multistate area Indiana has used the Standard Oil name continuously since its incorporation. As hereinabove noted, its territory at the time of the 1911 Supreme Court decision consisted of 11 states in the Midwest. Three more, Montana, Wyoming, and Colorado, had been added by the time of the 1937 decree. Still another, Nebraska, was added in 1939 when Indiana acquired Standard Oil Company of Nebraska and rights to the name in that state. Thus Indiana's primary area of operation, where it or its predecessors have used the Standard Oil name generally and (except for litigation hereinabove described) without question by other Standard Oil companies, is a 15-state contiguous complex in the central or midwestern part of the nation.

5. By 1960 Humble, as a result of the merger into it of other Jersey subsidiaries, was marketing in 35 states and announced its intention to market nationwide.

6. By the time Jersey and Indiana, in 1960 and 1961 respectively, placed themselves in positions to market nationwide through single subsidiaries, it had become ob-

vious that it was desirable to attain, if possible, uniform identification of stations and products.

7. In contrast, at the time the 1937 decree was entered, Indiana, in its then 14-state area, was conducting its station operations with its own distinctive red, white and blue color scheme under Standard names and trademarks, but subsidiaries, marketing outside that area, were operating under different names, symbols and color schemes. About 1946 Indiana moved toward uniformity by the adoption, for itself and subsidiaries, of a sign consisting of a red, white and blue oval and torch. This was brought to a head with the 1961 merger of the marketing companies into the wholly-owned American. The torch and oval sign continued to be used with the word "Standard" therein in the 15-state area and the word "American" elsewhere. Uniformity of station design, slogans, and the like, was also accomplished. Indiana's prior use of the initials S O, which had been extensive in 1937, began to lessen.

8. A like development took place on the Jersey side. In the thirties, the name ESSO was in use in 18 states (Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia, Virginia, North Carolina, South Carolina, Tennessee, Louisiana, and Texas), the District of Columbia, Canada, and 135 foreign areas.[7] The plaintiffs' brief describes ESSO as "without

[7]The ESSO trademark was also used by Humble in Alabama, Florida, Georgia, Kentucky, and Mississippi from 1961 until 1967 when its use in those states ceased as a result of the decision in *Standard Oil Co. (Kentucky)* v. *Humble Oil & Refining Co.*, supra, 363 F.2d 945.

any doubt one of the best known trademarks in the world, and a recognized symbol at airports and service stations" here and abroad. The plaintiffs assert that ESSO belongs to and is used exclusively by Jersey, Humble, and their affiliates and cannot be used anywhere by Indiana or American without Humble's or Jersey's permission.

With the 1960 merger Humble adopted a uniform design for its service stations. This featured the name Humble, the slogan "Happy Motoring", and a red, white and blue color scheme. The nationwide use of ESSO, however, was complicated by the 1937 injunction in the 15-state midwest area and elsewhere where the principle of that injunction was considered to be applicable by other Standard Oil companies, and by the settlement stipulation mentioned in paragraph 11, infra, with Standard of California and Standard of Texas. Humble therefore adopted the name "ENCO", from "ENergy COmpany", for use in those areas of complication.

9. Obvious factors promoting this trend toward uniformity were the propensity for travel in the United States and national advertising.

10. The Standard name came to be eliminated from Humble's marketing operations by 1961. Jersey management testified to this effect at the trial and further stated that neither Jersey nor Humble now had any intention of resuming the use of the Standard name in United States marketing and would not protest if American or any other Standard Oil company were to use the Standard name in any area where Humble uses ESSO. Apparently this policy decision was not without some disagreement in Jersey's executive structure.

11. Other Standard Oil companies moved in the same direction. Standard of California continued its use of the Standard name in nine states (Texas, New Mexico, Arizona, California, Nevada, Oregon, Washington, Idaho, and Utah) but in the late fifties adopted a national identification with its red, white and blue Chevron symbol. That company also used the name CALSO in the Midwest and in the East until about that time and did so without ultimate objection from Jersey. In 1954 Humble brought an action in a Texas federal court, as it states, "to protect ESSO against confusing advertising by Standard of Texas [a Standard of California subsidiary] of the letters S.O." This suit was settled by a stipulation between Humble, California, and Texas. Thereby Humble recognized the right of Texas to use the Standard name in Texas and New Mexico, and Texas recognized the right of Humble to use ESSO in Texas. Further, Humble agreed that it would not use ESSO in states where California or Texas had an active prior use of the Standard name.[8]

12. Standard Oil Company, an Ohio corporation, uses SOHIO in its traditional area which is the State of Ohio. But it also operates in Michigan, Pennsylvania, and Kentucky under the mark BORON. Its service station design is generally the same for all four states.

13. California Standard and Indiana arrived at an understanding in 1955. Each agreed that it would not use marks or names with the letters S O in the other's area. Each, however, also agreed that the other could

[8]In its brief, the plaintiffs state, "[w]e recognize that the contentions herein made, if upheld, would also affect the validity of that stipulation."

use the Standard name in advertising media which had as much as 15% circulation in the area where the other used the Standard name. This agreement served to terminate California's approximately 20-year use of the name CALSO in the Midwest.

The starting point. In their brief the plaintiffs state that they, "in this action to modify the 1937 injunction, do not dispute in any way the validity of the findings at that time or the holding based on such findings." Regardless of whether, at this late date, the plaintiffs would or could not have a choice in that matter,[9] this acknowledgment on the part of the plaintiffs necessarily provides a starting point. Judge Moore's 1937 findings and conclusions, certain of which we have set forth in footnote 4, supra, embrace, among other things, a) an admission that the Standard name, as used where each Standard Oil company operated, indicated only the company there operating; b) representations to various courts by plaintiffs' predecessor-affiliates to that effect; c) the identity and equivalency of ESSO with S O and Standard Oil, and the predecessor-affiliates' court representations to that effect; d) confusion on the part of the buying public; and e) an estoppel of the present plaintiff, Esso, Incorporated.

This is, indeed, a disadvantageous and precarious starting point, albeit one of 30 years ago, for the present plaintiffs. Using football phrases, it is poor field position and late in the game.

The plaintiffs' argument. It is argued that, since the litigation of 30 years ago, "a fundamental factual change has occurred." The goodwill and reputation of the Stand-

[9] "The injunction, whether right or wrong, is not subject to impeachment in its application to the conditions that existed at its making." *United States* v. *Swift & Co.*, 286 U.S. 106, 119 (1932).

ard Oil name in the 15-state area is no longer attributable to Indiana but is actually that of all the Standard Oil companies. The name is no longer distinctive. Further, ESSO itself has become distinctive and "is no longer generally regarded as denoting 'Standard Oil.'" Thus, the controlling facts have changed and, since this is so, "the basis for holding that the use of ESSO by Humble in the midwest would constitute unfair competition with or infringement of appellees' use of Standard no longer exists." The change is attributable to "present marketing, trademark and environmental conditions." The allocation of the goodwill of the Standard name "on a territorial basis involves restraints on effective competition contrary to trademark law and the public policy of the antitrust laws."

Further, the basic premise of the decision in the district court is not that the only Standard Oil reputation known to the public in the 15-state area is that of Indiana but rather that the prior decisions have established that each Standard Oil company retained the "exclusive right" to use the name in its "particular trade area." Again, the fundamental question is "whether today, in contrast to 1937, the Standard Oil reputation in the subject area is exclusively" that of Indiana and that this would have to be the basis for any holding that Indiana is still entitled to a monopoly of the reputation of the name in the Midwest.

Thus, it is suggested, Indiana is really trading on the goodwill of all the Standard companies.

The litigation instituted by Indiana against Standard of Ohio relating to Ohio's use of SOHIO in Michigan was begun in 1954. The plaintiffs would explain and differentiate the Tenth Circuit's decision, supra, 252 F.2d 65, on the ground that the finding there, to the effect that the Standard Oil reputation in the area involved was only that of Indiana, was based on the mutual concession, 252 F.2d

at 70, that each party litigant had the exclusive right to use the Standard name in its own territory. Thus, the plaintiffs say, the Wyoming federal district court and the Tenth Circuit were not asked to determine the fundamental question whether the Standard Oil reputation in Michigan was in fact isolated to Indiana.

The plaintiffs would also distinguish the Fifth Circuit's decision, supra, 363 F.2d 945. Although recognizing that the Court of Appeals held that the district court's findings there as to the absence of public confusion between ESSO and Standard Oil were clearly erroneous, 363 F.2d at 948, the plaintiffs assert that the respect in which the court found confusion is significant. It is said that the confusion is with the general name Standard Oil and not with Standard of Kentucky; that the court expressly recognized that the goodwill and the Standard Oil name is attributable to all the Standard Oil companies; and that all the companies must share the Standard Oil idea or meaning. 363 F. 2d at 950-52. It is thus argued that the Fifth Circuit recognized that the Standard Oil reputation and goodwill is a shared reputation and goodwill. It is said, however, that the court did not focus on the essential fact that Indiana in 1937 had a right to foreclose the use of ESSO in its 14-state area only because to the public the Standard Oil name in that area meant Indiana exclusively. Thus the plaintiffs would utilize the Fifth Circuit's decision as authority for shared reputation and shared goodwill but would question it as misguided authority for monopoly of that reputation and goodwill in a particular area.

The legal standard. A court of equity has power "to modify an injunction in adaptation to changed conditions." This is so whether the power is or is not expressly reserved in the decree and "whether the decree has been entered

after litigation or by consent." *United States* v. *Swift & Co.*, 286 U. S. 106, 114 (1932). In that case the Supreme Court reversed the trial court's modification of its earlier injunction. Two dissenters stressed changed competitive conditions and "discouraging operating losses" of those theretofore restrained. 286 U. S. at 120-23. But the four-justice majority (three justices took no part), in an opinion by Mr. Justice Cardozo, pronounced the applicable standards:

> There is need to keep in mind steadily the limits of inquiry proper to the case before us. We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. The injunction, whether right or wrong, is not subject to impeachment in its application to the conditions that existed at its making. We are not at liberty to reverse under the guise of readjusting. Life is never static, and the passing of a decade has brought changes to the grocery business as it has to every other. The inquiry for us is whether the changes are so important that dangers, once substantial, have become attenuated to a shadow. No doubt the defendants will be better off if the injunction is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression. Nothing less than a clear showing of grievous wrong evoked by new and unforeseen conditions should lead us to change what was decreed after years of litigation with the consent of all concerned.
>
> . . . .
>
> What was then solemnly adjudged as a final composition of an historic litigation will not lightly be undone at the suit of the offenders, and the composition held for nothing. 286 U. S. at 119-20.

We glean, from this, certain factors of importance: (1) that, where modification and amendment of an existing decree is under consideration, there are "limits of inquiry" for the decree court and for the reviewing court; (2) that the inquiry is "whether the changes are so important that dangers, once substantial, have become attenuated to a shadow"; (3) that the movants must be "suffering hardship so extreme and unexpected" as to be regarded as "victims of oppression"; and (4) that there must be "[n]othing less than a clear showing of grievous wrong evoked by new and unforeseen conditions." Placed in other words, this means for us that modification is only cautiously to be granted; that some change is not enough; that the dangers which the decree was meant to foreclose must almost have disappeared; that hardship and oppression, extreme and unexpected, are significant; and that the movants' task is to provide close to an unanswerable case. To repeat: caution, substantial change, unforeseenness, oppressive hardship, and a clear showing are the requirements.

The Supreme Court, in subsequent opinions, continues to recognize an equity court's power to modify and amend and yet gives no indication of any retreat from the requirements of *Swift*. See, for example, *System Federation No. 91* v. *Wright,* 364 U. S. 642 (1961); *Columbia Artists Management Inc.* v. *United States,* 381 U. S. 348 (1965), and the dissent at 352; and *United States* v. *United Shoe Machinery Corp.,* 391 U. S. 244, 248 (1968), where it was said:

> *Swift* teaches that a decree may be changed upon an appropriate showing, and it holds that it may *not* be changed in the interests of the defendants if the purposes of the litigation as incorporated in the decree . . . have not been fully achieved.

This court, too, has recognized the same principles with a reference to "significant changes in conditions not foreseeable at the time the injunction was granted," thus emphasizing change and unforeseeability. *Bowdil Co.* v. *Central Mine Equip. Co.*, 216 F. 2d 156, 160 (8 Cir. 1954), cert. denied, 348 U. S. 936. See *Hygrade Food Prods. Corp.* v. *United States*, 160 F. 2d 816, 819 (8 Cir. 1947).

At this point we advert to the plaintiffs' brief and to the following statements which it contains:

> It follows from these principles that a party is entitled to modification when the original injunction, based on a different set of facts, could not properly have been entered on the state of facts that now exists. . . .
>
> The essential issue before the Court is whether, on the facts shown to exist today, which were demonstrated in an exceptionally full record, and pursuant to the policy of the trademark and antitrust laws, the Court would issue the injunction that it issued in 1937. . . .

We feel that these statements, standing alone, are not consistent with the language and with what we regard as the requirements of *Swift*. As Mr. Justice Cardozo said in *Swift*, 286 U. S. at 119, "We are not framing a decree." We are confronted here not with a question of the granting of injunctive relief but with the question of the withdrawal or modification of injunctive relief granted in the past. It is in the latter situation—the one which confronts us—where the Cardozo precepts are the operating guidelines. Despite the quoted words from their brief, we really do not understand the plaintiffs to argue otherwise.

The evidence. We must agree with the defendant-appellees that the controlling issue, in both the 1937 litigation

and the present proceeding, is an issue of fact, namely, whether the use of ESSO in the 15-state area would occasion confusion in the buying public.

This being so, it follows that the usual hornbook rules have application, namely, that findings are not to be set aside unless clearly erroneous and "only upon clear demonstration that they are without substantial evidentiary support or that they are induced by an erroneous view of the law," and that a finding is clearly erroneous when, "although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." Rule 52(a), Fed. R. Civ. P.; *Cole* v. *Neaf,* 334 F. 2d 326, 329 (8 Cir. 1964); *United States* v. *United States Gypsum Co.,* 333 U. S. 364, 395 (1948).

The key findings of fact made by Judge Meredith in the present case are the following:

> The use of the name "Standard" and all derivatives thereof belongs to Standard Oil (Indiana) in the midwest states as this Court held in 1937. To permit this decree to be modified on the evidence presented to this Court would cause the motoring public a great deal of confusion and would cause a substantial loss to the defendants. Their customers would not know the difference between the Standard torch and oval as used in the midwest and the Esso in the oval as used by the plaintiffs. The motoring public in the midwest would be buying plaintiffs' products thinking they were defendants' . . . While the defendants in this case have had some change in the use of the initials "S O" and "S O C O" from 1937 to the present date, there has been a substantial and continued use of these initials.

Appendix A

In the early stages of this case the court reporters had great difficulty in determining whether the lawyers were saying "SO" or "Esso". When pronounced they sound identical. Both mean Standard Oil. 259 F. Supp. at 566.

Thus Judge Meredith found essentially the same facts for the present day as Judge Moore did for his day, namely, that ESSO would cause confusion to the public and that purchasers would be buying Indiana's products thinking they were those of Jersey.

We turn to the specific evidence in order to determine the sufficiency of the present record to support these findings. The plaintiffs base their factual case on a number of items:

1. *Reputation as one company or several.* The plaintiffs introduced evidence that a major sector of the general public, both in the East and in the Midwest, does not regard the respective Standard Oil companies as separate and distinct entities but considers them to be either a single company or separate parts of one company. Various studies over the years 1942-61 tend to bear this out. The plaintiffs also introduced evidence that even executives and directors of Indiana recognized this but felt that it accrued to Indiana's benefit and thus were not particularly concerned. The supplemental fact, of course, is that the same studies disclose that from 16% to 27% of the population do regard the Standard Oil companies as separate entities. And there are from 11% to 13% in the "don't know" category.

2. *Changing motoring habits.* The plaintiffs introduced statistical data showing a large increase since 1937, well beyond projected forecasts, in per capita vehicle registration

and in travel from one Standard territory to another, not only over long distances but also in short commuter traffic.

3. *Population origin.* The plaintiffs also produced United States Census Bureau reports which suggest that approximately one-sixth of the midwest population consists of persons born outside the 15-state area who presumably brought with them, when they came to the Midwest, an exposure to marks used by other Standard Oil companies.

4. *Advertising methods.* The plaintiffs urge, as a factor unforeseeable in 1937, the great advances in radio and television. This was mentioned by Judge Meredith. 259 F. Supp. at 563. It was a factor, the plaintiffs suggest, in the 1955 agreement, mentioned above, between Indiana and California, concerning advertising spillover at their common boundary.

5. *Credit cards.* The plaintiffs introduced evidence showing great increase since 1937 in the use of gasoline credit cards under exchange agreements among the various Standard Oil companies. These cards distinguish between affiliated and nonaffiliated companies but allow a customer to use the card at the station of any Standard company. The plaintiffs say, "It clearly appears from these cards, therefore, that American is satisfied that Humble's ESSO mark can be disclosed, indeed advertised, by it to its customers in the 15-state area as the mark of a 'non-affiliated' company . . ."

6. *Surveys.* A number of surveys entered the record. Judge Meredith referred briefly to some of this evidence. 259 F. Supp. at 564. We could devote many pages outlining

the methods and details of these studies but we endeavor to summarize them with the hope that we do so fairly:

a. Three surveys by Louis Harris & Associates, Inc., in the fall of 1965. These are heavily relied upon by the plaintiffs. Mr. Harris himself testified. The first related to the 15-state midwest area, the second was nationwide, and the third covered four states (Arkansas, Kentucky, Ohio, and Utah) bordering the 15-state area. The latter two surveys were designed to provide a check against the first. In the midwest study, 80% recognized the ESSO mark, on a recognition test, as being real, 63% had seen it, 58% associated it with gasoline, and only 5% associated it with Standard Oil. Thus, it is said, ESSO stands independently as a gasoline trademark. "Esso Extra" as a brand of gasoline was associated with Standard Oil stations by 14.4%. Finally, 7% of those familiar with stations selling Standard Oil gasoline in their states would go to an ESSO station to purchase the same products. Mr. Harris testified that these percentages could not be totalled because of overlap but that they established a range of association. Allowing for a 3% margin of error, the study disclosed a maximum association of ESSO with Standard Oil in the Midwest of 18%. In the separate national survey the figures checked closely with those obtained for the midwest area.

b. A survey conducted for Indiana during the summer of 1965 by S. H. Britt, professor of marketing at Northwestern University. The result here was that 29% in the Midwest associated ESSO with Standard Oil. This was strenuously attacked on cross examination because of possible bias occasioned by a preliminary question.[10]

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[10]In the Humble-Kentucky litigation criticism of survey method was noted. 363 F.2d at 949.

e. The Popkin survey. This consisted of interviews by counsel for the defendants with 109 persons who had been interviewed in the first Harris survey. It indicated that 49% gave Standard Oil answers to the ESSO mark. This result would tend to controvert the Harris surveys. Mr. Harris, however, questioned its validity because the persons seen had already been exposed to questioning along the same line. Mr. Popkin conducted a second investigation with a team of lawyers for the purpose of obtaining witnesses for the trial. Persons were interviewed on the street in 13 midwestern cities. Thirty-eight per cent said the word ESSO meant Standard Oil.

d. The McCann-Erickson study. This was a small pilot survey conducted for Jersey by an advertising agency in 1957. It concluded that there was greater potential for Esso in Indiana territory than for Indiana in Esso territory, maily because more midwesterners had seen or used an Esso station than easterners had seen or used an Indiana station. The study also disclosed that, although a large majority of motorists stay with a single brand, the primary reason for their doing so is that they trade at a convenient neighborhood station where they have come to know and like the personnel.

7. *The change in Indiana's use of S O and SOCO.* In 1937 Judge Moore found that Indiana's products had long been known by the symbols S O and SOCO and that these were abbreviations and equivalents of Standard Oil and recognized as such by the public. On appeal this court noted "their long use" in connection with Indiana's business and that they had come to be understood by the midwestern public as designating Indiana's products. 98 F.2d at 7. The present record discloses that the use of

S O and SOCO by the defendants in the interim had diminished to such a point that defendants' trademark counsel became concerned and recommended increased use of the symbols. The letters S O do appear on Indiana's road maps, on gasoline pumps in small letters, on certain industrial and household products, and in some newspaper and television advertising. The use of SOCO has been greatly curtailed. Brand names such as Solite and Stanolind have been progressively phased out. There is evidence that attempts were made by Indiana to slow the disuse of these names and marks.

8. *The importance of nationwide marks and names.* These, of course, can be advertised easily on a national basis. It simplifies labeling and product distribution. It enables a company to compete more effectively. Thus in 1964 Standard of Ohio made 31% of the retail gasoline sales under the SOHIO label in Ohio but less than .2% of the sales in the adjacent three states where it uses the name BORON. In the 15-state area Indiana has 18% of the gasoline market. Humble has less than 1.7% and neither California (including Kentucky) nor Ohio has as much as .5% In contrast, in the former Socony area comprising the New England states and New York, Mobil continues to lead the market with approximately 16% but Humble, using ESSO in this territory, is a close competitor with about 12% of the market.

Our reactions to this factual material are about as follows:

1. The evidence as to the single or multiple company character of Standard Oil goodwill cuts, of course, both ways. On the one hand the evidence has a tendency to

establish, as the plaintiffs urge, that the Standard Oil image is a general one to most of the purchasing public. But on the other hand it also reflects public confusion to a substantial degree. We thus find the evidence persuasive neither way.

In any event it is instructive to note that in this respect the present record is scarcely to be distinguished from the record of the 1937 case. The earlier record contains the testimony of public witnesses identifying the several Standard Oil companies as one and the same. And a public opinion survey of 1938 of Iowa and Wisconsin males shows 67.2% as feeling Standard Oil was all one company or parts of a larger company and even 12.1% who "don't know." Judge Meredith observed that many persons are unaware that the companies are, in fact, separate and distinct. He found, "This situation existed in 1937 and it exists today" and "the conditions which exist today are merely an extension of conditions that led up to the 1937 decree." 259 F. Supp. at 563, 564.

This feature of the evidence afforded Esso, Incorporated, no relief in 1937-38. We could not hold, contrastingly, that it now serves as support for affording the plaintiffs relief. In passing, we note that the same public reaction factor was observed in the Kentucky and Wyoming litigation, mentioned above, 363 F. 2d at 951; 141 F. Supp. at 881, and did not prevent the granting of injunctive relief.

2. No one familiar with American life could dispute the fact that there have been changes since 1937. Motoring has become more widespread and more complex. This is indeed a generation on wheels. The nation is probably more geographically oriented and more nationally conscious than

ever before. Avenues of communication have grown remarkably in use and sophistication and show little heed, even if once they did, to geographical boundaries. Gasoline credit cards tend to blur the distinctions between marketing companies. All this must be accepted as established and as characteristic of modern living.

3. Despite all this, the surveys, singly and as a group, do not dispel the existence of a percentage of confusion which we may not dismiss as de minimis. The percentage figure varies from 11% to as high as 49%. The lower figure itself is not an insignificant percentage. The record discloses that the number of motorists in the Midwest is in the millions. Eleven per cent of a figure in the millions is a large number. In the Kentucky case the Fifth Circuit described the confusion disclosed in the record before it as "profound." 363 F. 2d at 952.

4. One reason, of course, for the lesser use by Indiana of the S O and SOCO marks was the assumed inability to use them outside the 15-state area. Another reason was the convenience and desirability of national advertising rather than area-segregated advertising. Although the evidence demonstrates that Indiana's use of S O and SOCO has diminished markedly since 1937, it also shows that, albeit by recommendation from executive headquarters and legal advisors, some use of those symbols still remains. Whatever may be the lessening use by Indiana of S O and SOCO, the record clearly demonstrates that it has never abandoned the use of the Standard name in the 15-state area. Indeed the emphasis there of late has been on "Standard Oil Division" of American Oil Company.

5. Jersey's figures as to comparative shares of the gasoline market are to be tempered somewhat by the fact that

Jersey's entrance into the Midwest has been comparatively recent except for the Rocky Mountain region where it has marketed under the Carter name since 1943. Jersey, now using ENCO, has 13% of the Montana market and more than 5% in Colorado and Wyoming. This appears to be consistent with the conclusion of the McCann-Erickson pilot survey that people tend to trade at local stations because they like the personnel, service, and convenience. Thus a market share may be said to be more appropriately linked to the number of stations and the length of time a company has been marketing in the area rather than to brand name or identification sign. The sign does play a more important part when people are away from home.

In our view the case presents the situation where Jersey, having developed ESSO, as it says, into "one of the best-known trademarks in the world," has arrived at the point where it is confident enough in its strength that it proposes not to challenge the use by others of the Standard name in its traditional area and, in return, feels entitled to the use of ESSO elsewhere. But it is prevented from this by the 1937 decree and, in certain states, by the Fifth Circuit's decision and, in still others, by the settlement stipulation made with Standard of California and Standard of Texas. By the present action it seeks to break the hold and impeding effect of the 1937 decree. We are not advised as to how Jersey expects to avoid the effects of the Fifth Circuit decision and of the settlement agreement with California and Texas.

We return to the precepts of *Swift* and of our own *Bowdil* case, supra, 216 F.2d at 160. We have listed these in detail above and have summarized them as "caution, substantial change, unforeseenness, oppressive hardship, and a clear showing." Does the present record then provide a case for relief?

We have noted that change has come about since 1937. Motoring habits are different. Distances are less significant, are easily surmounted and are no longer much of a deterrent. The motoring public thinks nationally and is mobile. Advertisements are not to be limited by geographical configurations. The credit economy is a leveling and unifying influence. But we are not persuaded that these changes have been unforeseen and "so important that dangers, once substantial, have become attenuated to a shadow." This record reveals that more than a mere shadow of the midwest public still regards the Standard name and its abbreviations and derivatives as the badge of the products of Indiana. In this respect the public identity of Standard Oil companies has been shown to be little different in 1966 than it was in 1937. The change that has taken place is not of that degree of substantialness and the dangers against which the 1937 decree guarded are not so attenuated as to satisfy the precepts of *Swift.*

Neither has the requirement of "extreme and unexpected" and oppressive hardship been demonstrated. The record shows that the plaintiffs have been able successfully to establish outlets under the ENCO name and sign in the 15-state area (except Missouri) and elsewhere. Between 1959 and 1964, Jersey's share of the market in the area where ENCO was used increased in every state except two (Illinois and Indiana). For the same period, in the territory originally allocated to Jersey and its predecessors and where it marketed under the name ESSO, its share of the market decreased in 15 states and increased in only three and in the District of Columbia. About 20% of Humble's total motor fuel business is done under the name ENCO. At the time of the 1937 decree Jersey had service stations in 18 states and the District of Columbia; at the time of the 1966 trial, Humble had stations in 47 states.

Between 1937 and 1964, Jersey's total assets increased from over two billion dollars to almost 12½ billion and net profits from about 148 million to over a billion. The plaintiffs are the largest petroleum marketers in the world. They account for one-sixth of the sales of petroleum products in the free world.[11]

We realize that it is not always safe to utilize growth figures in this way. Nevertheless, although it would be easier, more beneficial, and far more convenient for Jersey to use ESSO in the Midwest, it is not easy for us to extract oppressive hardship from all these facts. Jersey is free to compete and does compete. As Judge Meredith said, 259 F. Supp. at 566,

> The injunction of 1937 does not prohibit the plaintiffs here from competing with the defendants in the midwest. They are at liberty to build all the filling stations, sell all the gasoline and do anything else they want to do, under the name "Enco" or any other name they choose to adopt other than "Esso" or some derivative of the name "Standard Oil". This, they are and have been doing.

It is perhaps not amiss to point out, repetitively, that the handicap, if it be a handicap, under which the plaintiffs operate in the 15-state area finds its counterpart in the Fifth Circuit's decision in 1966, rendered well after the beginning of the trial of the present case, relating to five states where the plaintiffs had 776 ESSO stations. 363 F. 2d at 948. It also has its counterpart, for other states, in the agreement with Standard of California and Standard of Texas.

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[11]Similarly, Indiana, Standard of California, and Standard of Ohio have been able to capture noticeable shares of the market outside their respective traditional areas under names other than Standard or its abbreviations and derivatives.

We are fully aware of Jersey's argument that the real reason for the 1937 injunction was the limited experience of the midwestern public at that time with any Standard Oil company other than Indiana and that thus the name actually did identify Indiana as the source of its products whereas today the name no longer so identifies Indiana. We feel that Jersey's argument misconstrues the function of trademarks and trade names as source indicators. The Second Circuit has appropriately observed,

> Although a valid trademark must serve as an indication of origin, we are not to be construed as saying that it is necessary that purchasers actually know the name of the manufacturer of the goods they purchase. "It suffices that the public normally assumes that articles bearing the same mark are from the same source." 3 Callmann, Unfair Competition and Trade-Marks, § 84.1, at 1628 (2 ed. 1950). *Feathercombs, Inc.* v. *Solo Prods. Corp.*, 306 F. 2d 251, 255 (2 Cir. 1962), cert. denied 371 U. S. 910.

Thus Indiana's use of the name in the 15-state area identifies a certain chain of stations and certain products as coming from a particular source. The fact that it does not precisely identify Indiana as that source may well be unimportant since Indiana is the only company which properly has used the name in the Midwest. The Standard name possesses a distinctiveness as a source indicator in the area even though it does not make Indiana's customers aware of Indiana's precise relationship to the other Standard Oil companies.[12]

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[12] In *Walter Baker & Co.* v. *Slack*, 130 F. 514, 518 (7 Cir. 1904), the court observed, in granting relief, "We may safely take it for granted that not one in a thousand knowing of or desiring to purchase 'Baker's Cocoa' or 'Baker's Chocolate' know of Walter Baker & Co., Limited".

Jersey would draw an analogy from the generic name decisions, contending that these hold that loss of distinctiveness in a name follows as a matter of law from loss of exclusiveness of reputation and goodwill in that name. Among the citations are: *Bayer Co.* v. *United Drug Co.*, 272 F. 505 (S. D. N. Y. 1921); *Du Pont Cellophane Co.* v. *Waxed Products Co.*, 85 F. 2d 75 (2 Cir. 1936), cert. denied, 299 U. S. 601 and 304 U. S. 575; *King-Seeley Thermos Co.* v. *Aladdin Indus., Inc.*, 321 F. 2d 577 (2 Cir. 1963); *Dixi-Cola Laboratories, Inc.* v. *Coca-Cola Co.*, 117 F. 2d 352 (4 Cir. 1941), cert. denied, 314 U. S. 629; *Kellogg Co.* v. *National Biscuit Co.*, 305 U. S. 111 (1938).

In these cases the name contested had become the generic or popular term for the article in question. This was so even though there was a small minority who still regarded the word as indicative of source. In the present case, however, even though many people are aware of the various Standard Oil companies and have been exposed to them, it is not true that Indiana's Standard name has lost all significance as a source indicator. The generic name cases hold that, if a name no longer serves in any way as a source indicator, it loses its protection. The loyalty of Indiana's midwest customers arises from the fact that they like its products. Those products for many years have been sold exclusively under the Standard name in the Midwest. The fact that people are aware of other Standard Oil companies does not mean that the Standard name in the Midwest is not indicative of the source of the products sold under that name. On the contrary, it is indicative of the company which operates the Standard stations. As such, it is still entitled to protection.

The impact of the antitrust laws. The plaintiffs suggest that, with the continuance of the 1937 decree and territori-

alization, the public is wronged by being denied the opportunity of effective competition among all Standard Oil companies. It is said that if the territorial allocation were the product of agreement rather than the result of court decree, there would be little doubt that it would violate the antitrust laws. *White Motor Co.* v. *United States,* 372 U. S. 253, 259 (1963), and other cases are cited.

This is not a new argument. We encountered an aspect of it in the appeal from the 1937 decree. 98 F. 2d at 8. It was answered effectively in *Standard Oil Co. (Kentucky)* v. *Humble Oil and Refining Co.,* supra, 363 F. 2d 945, 953-54, where the Fifth Circuit said:

> On oral argument, Humble also contended that this Court would be violating the intent of the 1961 antitrust consent decree if we prevented its competing with Kentucky under the Esso name. This is precisely the same argument that has been made and rejected numerous times as to the intent of the 1911 dissolution decree. *Esso, Inc.* v. *Standard Oil Co. (of Indiana),* 98 F. 2d 1, at 8 (8 Cir. 1938); *Standard Oil Company (Sohio)* v. *Standard Oil Company (of Indiana),* 252 F. 2d 65, at 76 (10 Cir. 1958); *Standard Oil Co. of Maine* v. *Standard Oil Co. of New York,* 45 F. 2d 309, at 313 (1 Cir. 1930). The antitrust laws require competition, not piracy. The essence of competition is the ability of competing products to obtain public recognition based on their own individual merit. A product has not won on its own merit if the real reason the public purchases it is that the public believes it is obtaining the product of another company. There is not now, nor has there ever been, a conflict between the antitrust laws and trademark laws or the law of unfair competition. The

> antitrust laws could go further than to envision Humble's entering the market and competing under one of its non-Standard Oil tradenames and marks. In this way Humble could obtain customers based on its own merits. . . .

Further, as has been pointed out, there is no absence of effective competition among the various Standard Oil companies and there is no price-fixing tie-in with trademark use. The competition may not be so great or so effective or so convenient as perhaps would be the case were the name ESSO universally usable. But that fact, upon the circumstances here, is not an antitrust violation.

We therefore conclude and, except for the voluminousness of the record, do so without too much difficulty, that Judge Meredith's findings on the merits find adequate support in the record. The standards pronounced by the gentle Cardozo in *Swift* over 35 years ago are still the law applicable here and, in our view, the plaintiffs have not demonstrated the substantial change, the unforeseenness, and the oppressive hardship which those standards require. Having in mind, too, that by *Swift* our inquiry has limitations and that there must be a clear showing of nothing less than "grievous wrong," the 1937 decree, on this record, must continue in effect.

Were the slate clean, one might argue with some force that full and unlimited competition among all the Standards—one on each corner of the intersection, so to speak —would be good for the public and would be in the national tradition. Perhaps. But the Standard slate is not clean and unencumbered. It is colored and indeed composed of the 1911 decision; of the dissolution of the old Trust; of the territorial allotment flowing from that dis-

solution; of the 1937-Eighth Circuit decree; of the Wyoming-Tenth Circuit decree; and of the Kentucky-Fifth Circuit result. This is the full slate which confronts us, and the plaintiffs as well, and with which we all must work. As Mr. Justice Cardozo observed—and, in so saying, he touched the nerve—we are not framing a decree. Instead the district court and we are asked to modify or amend an existing one. There is a world of difference between the two situations.

Unclean hands. This was an alternate ground for the district court's decision. In view of our holding on the merits, there is no need for us to explore and rule upon this aspect of the case. We say only that we find ourselves somewhat less certain of agreement with the district court's ruling on the application of the doctrine of unclean hands than we are with its ruling on the merits. Conversely, however, we are entirely satisfied that the court's ruling on the merits was not tainted by its conclusion as to unclean hands. We therefore affirm but, in so doing, we expressly refrain from approving or disapproving the district court's on the unclean hands issue.

Affirmed.

APPENDIX B

Judgment

UNITED STATES COURT OF APPEALS.

FOR THE EIGHT CIRCUIT

No. 18,596—September Term, 1968.

Humble Oil & Refining Company, a Corporation, Esso, Incorporated, a Corporation, and Standard Oil Company, a New Jersey Corporation,

Appellants,

vs.

American Oil Company, a Corporation, and Standard Oil Company, an Indiana Corporation.

APPEAL from the United States District Court for the Eastern District of Missouri.

THIS CAUSE came on to be heard on the record from the United States District Court for the Eastern District of Missouri, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now here ordered and adjudged by this Court, that the judgment of the said District Court, in this cause, be, and the same is hereby, affirmed.

January 9, 1969

APPENDIX C

Opinion of the District Court Filed September 29, 1966

UNITED STATES DISTRICT COURT

EASTERN DISTRICT MISSOURI, EASTERN DIVISION

HUMBLE OIL & REFINING COMPANY, a corporation, ESSO, INCORPORATED, a corporation, and STANDARD OIL COMPANY, a New Jersey corporation, *Plaintiffs*, v. AMERICAN OIL COMPANY, a corporation, and STANDARD OIL COMPANY, an Indiana corporation, *Defendants*.	No. 63 C 251(2)

FINDINGS OF FACT AND CONCLUSIONS OF LAW

MEREDITH, District Judge.

This proceeding was brought under and pursuant to Rule 60(b) of the Federal Rules of Civil Procedure to modify an injunction decree of this Court entered in 1937 in case No. 11407, which was affirmed on appeal in Esso, Inc. v. Standard Oil Co. (Indiana), 98 F. 2d 1 (8 Cir. 1938). Under the 1937 decree "Esso, Incorporated, its agents, servants, representatives, employees, attorneys, confederates, and all others acting for, with, through or under it and each of them," were perpetually enjoined from using in the petroleum industry in the States of Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Mon-

tana, North Dakota, Oklahoma, South Dakota, Wisconsin and Wyoming "the term Esso alone or in combination with other names, terms, letters, marks, symbols, or syllables," or the trade names or trademarks Standard, Standard Oil, Standard Oil Company, S O, or S O C O, or "any names, terms, marks or symbols colorably similar thereto in sound, appearance, significance of meaning."

Plaintiffs in this proceeding are Humble Oil & Refining Company, a Delaware corporation (herein called Humble), Esso, Inc., a corporation, and Standard Oil Company, a New Jersey Corporation (herein called Standard Oil [New Jersey]). Humble is wholly owned by Standard Oil (New Jersey), and Esso, Inc., is wholly owned by Humble. Esso, Inc., was a defendant in the 1937 case.

Defendants in this proceeding are The American Oil Company, a Maryland corporation (herein called American), and Standard Oil Company, an Indiana corporation (herein called Standard Oil [Indiana]), which owns all of the capital stock of American. Standard Oil (Indiana) was the plaintiff in the 1937 case and obtained the above-mentioned injunction.

Plaintiffs herein seek to modify the 1937 injunction to permit Humble to use the name and mark "Esso" in the petroleum industry in the fourteen midwest states covered by the decree and in the State of Nebraska. Following the entry of the 1937 injunction, Standard Oil (Indiana) began marketing in Nebraska. These fifteen states are hereafter referred to as the midwest.

Plaintiff Humble is now the owner of record of the federal registration of the trademark "Esso". Plaintiff is prohibited from using it in the midwest by virtue of the 1937 decree.

Appendix C

To understand the problems of this litigation, a brief history of the Standard Oil Company is necessary. The Standard Oil trust began in 1870. By 1899 Standard Oil was the leading and dominant name in the American Oil Industry. A holding company, Standard Oil of New Jersey, was formed and through this holding company various Standard Oil Companies were controlled from 1899 to 1911. During this period of time the name "Standard Oil", by extensive national advertising and excellent products, achieved a nationwide reputation. In 1911 the Supreme Court held that the method of operation of Standard Oil violated the Sherman Antitrust Act and ordered the company dissolved. Standard Oil Co. of New Jersey v. United States, 221 U. S. 1, 31 S. Ct. 502, 55 L. Ed. 619 (1911). After 1911 the courts determined that various Standard Oil Companies had the exclusive right to use the Standard name and marks in their own territories, as this Court so held in 1937 in relation to fourteen midwest states.

The courts throughout the United States have uniformly held that the particular Standard Oil Company which first and continuously used the name "Standard" and derivatives thereof in a particular trade area had the exclusive right to use that name and all derivatives therefrom to the exclusion of the other Standard Oil Companies and to the exclusion of all strangers who attempted to use the name. See Standard Oil Company (Sohio) v. Standard Oil Company (Indiana), 141 F. Supp. 876 (D. Wyo. 1956) aff'd 252 F. 2d 65, 76 A. L.R. 2d 600 (10 Cir. 1958); Standard Oil Co. of Colorado v. Standard Oil Co. (Indiana), 72 F. 2d 524 (10 Cir. 1934), cert. den. 293 U. S. 620, 55 S. Ct. 216, 79 L. Ed. 708; Standard Oil Co. of New Mexico v. Standard Oil Co. of California, 56 F. 2d 973 (10 Cir. 1932); Esso Standard Oil Co. v. Standard Oil Co. of New England, 170 F. Supp.

71 (D. N. H. 1958); Standard Oil Co. (Indiana) v. Standard Oil of North Dakota, 123 F. Supp. 227 (D. N. D. 1954); Esso Standard Oil Co. v. Bazerman, 99 F. Supp. 983 (E. D. N. Y. 1951); Standard Oil of New York v. Standard Oil of Maine, 38 F. 2d 677 (D. Maine 1930), aff'd 1 Cir., 45 F. 2d 309; Standard Oil Co. (Indiana) v. Michie, 34 F. 2d 802 (E. D. Mo. 1929). The one exception to this universal holding was found in the case of Humble Oil & Refining Co. v. Standard Oil Co. (Kentucky), 229 F. Supp. 586 (D. C. Miss. 1964), where Standard Oil (Kentucky) had been distributing Esso products under a licensing agreement which had expired. Thereafter, Humble began using Esso products in the five southeast states area, Alabama, Georgia, Florida, Kentucky and Mississippi, in its own right. The district court held that if any confusion resulted, it was the fault of Standard Oil (Kentucky), and it could not now complain. This case was reversed by the Fifth Circuit Court of Appeals on July 1, 1966, Standard Oil Co. (Kentucky) v. Humble Oil & Refining Co. 363 F. 2d 945 (5 Cir. 1966), and an application for certiorari is now pending in the United States Supreme Court.

The plaintiffs contend essentially that the marketing practices and conditions of the defendants and the habits of the motoring public have changed so much since 1937 that the continued enforcement of the 1937 decree is inequitable and works an extreme hardship upon the plaintiffs; that it deprives the motoring public of the competition that would be engendered in the event the decree were modifid to permit the introduction of plaintiffs' products in the midwest under the name "Esso". Plaintiffs further contend that the introduction in the midwest of plaintiffs' products under the name "Esso" would cause no confusion. Plaintiffs contend that practices of the plaintiffs since 1937 are changed in

such a manner that the motoring public is now able to distinguish between the products of the plaintiffs and those of the defendants. This Court finds at the outset that the plaintiffs herein stand before this Court of Equity with unclean hands. Their appeal to the conscience of the Chancellor has fallen on stony ground. Relief to them would be denied on this ground alone, even had they met the burden of proof required with clear and convincing evidence. In addition, the plaintiffs have not met the burden of proof on any of their essential contentions.

In 1937 Standard Oil (Indiana) was doing business as an operating company and as a holding company. It was operating on its own name in the fourteen states of the midwest and through subsidiaries in other parts of the United States. Its subsidiary, the Utah Oil Refining Company, operated in Utah, Idaho and Nevada, and after 1937 began to market in Washington and Oregon. A subsidiary, Pan-Am Southern Corporation, operated in Louisiana, Mississippi, Alabama and Tennessee. A subsidiary, the defendant in this case, American, operated in New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Ohio and the District of Columbia. In 1937 these subsidiaries were not wholly owned by defendant Standard Oil (Indiana). Between 1937 and 1961 Standard Oil (Indiana) acquired all of the outstanding stock of these subsidiaries and merged them into a single wholly-owned subsidiary, defendant, American. Since 1961 Standard Oil (Indiana) has operated only as a holding company and policy-making company.

From 1937 to 1961 the defendants' subsidiaries used a variety of brand names of gasoline, service station color schemes, and other marks and symbols. Prior to 1961

Standard Oil (Indiana) began to adopt the torch and oval as an I D sign on the service stations of its subsidiaries. It also began to adopt certain slogans in connection with radio, television and other advertising. The slogans were: "You expect more from and you get it" and "As you travel, ask us". The red, white and blue color scheme was adopted at various times by its subsidiaries prior to 1961 and was uniformly adopted by all of them in 1961. Since 1937 to date, the service stations of defendants in the midwest have had the name "Standard" on the stations and in the I D signs. Since 1937 to date, the defendants' color scheme in the midwest has been red, white and blue on the service stations. From 1937 to date, the defendants have used at various times and during various intervals in the midwest the initials "S O" and "S O C O" on road maps, on radio and television advertising, on newspaper and magazine ads, on trucks, and certain products such as charcoal starter, Solite lighter fluid and on gasoline pumps. There is no indication from the evidence that the defendants have ever abandoned or intended to abandon the use of the letters "S O" or "S O C O".

Since 1961 the I D sign of defendant American has continued to carry the name "Standard" in the torch and oval at all filling stations in the midwest. Outside the midwest in the territory of the other Standard Companies, the torch and oval has carried in the I D sign the name "American". Atlas tires and other Atlas products are sold and have been sold at the service stations of defendants, of plaintiffs, and of all the other Standard Oil Companies throughout the United States.

The name "Standard Oil" was employed by the plaintiffs' predecessors in plaintiffs' territory in the east at the time of the decree in 1937 and the name "Standard" was

continued in use in that eastern territory until a few years ago. The trademark "Esso" was a word developed from the letters "S" and "O", which were the initials of Standard Oil. From 1925 to date, the name "Esso" has been used in the eastern part of the United States and this name "Esso" has been and is now used in Canada, Europe, Africa, South America, Asia, and in other parts of the world.

From 1937 to 1960 plaintiffs acquired a number of subsidiary companies, including Carter Oil Company, Pate Oil Company, Oklahoma Oil Company of Chicago, and Gaseteria Oil Company of Indianapolis. In 1944 Standard Oil Company of Louisiana was merged into Standard Oil Company of New Jersey, and in 1948 there was a merger of these companies with Standard Oil Company of Pennsylvania, Colonial Beacon Oil and Kesbec to form the Esso Standard Oil Company. In 1960 all of the operating companies of the plaintiffs were merged into the plaintiff Humble, a wholly-owned subsidiary of plaintiff Standard Oil (New Jersey). Prior to 1960 plaintiffs began to adopt throughout the country a uniform red, white and blue color scheme at their filling stations and the slogan "Happy Motoring". In 1948 plaintiffs adopted as their I D sign at the service stations in the United States in the territory where this could be used the word "Esso" in an oval. This was primarily in the eastern United States. From 1960 to date, the I D sign of the plaintiff Humble outside its eastern states territory has contained the name "Enco". The I D sign of "Esso" is used in other parts of the world as plaintiff's principal identification.

Since 1961 the I D sign of the plaintiff Humble has contained the word "Esso" in the five southeastern states of Standard Oil (Kentucky) territory, about which litigation is presently pending.

Appendix C

From 1948 to 1960 the name "Esso Standard Oil Company" was used in advertising throughout the east on radio, television, in newspapers, magazines, on gasoline pumps, trucks, maps and outdoor advertising. Since 1960 the I D sign of plaintiff Humble has been standardized to use the word "Esso" in an oval in the eastern states and the five southeastern states in which litigation is presently pending. Outside the eastern states, in the midwest and the west, the I D sign of plaintiff contains the word "Enco" in an oval. This name "Enco" was derived from "the leading *EN*ergy *CO*mpany".

The various Standard Oil Companies throughout the United States have used the name "Standard" or some derivative thereof within their own exclusive territories. Outside their territories they have used other names and I D signs. Standard Oil (California) uses the name "Chevron" in other parts of the United States. Standard Oil (Ohio) uses the name "Boron" outside of Ohio. Each of these Standard Oil Companies has been very diligent in the protection of the use of the name "Standard" and derivatives thereof within its exclusive territory.

Plaintiffs have filed objections to the use of any derivative of the name "Standard" or "Esso" relating to trademark matters pending before the Patent Office. They have advised by letter any interlopers within their territory that the name "Standard" or "Esso" cannot be used in their territory. In a number of cases where a letter did not stop the use of a name, they have filed suit. Their complaints have contained the allegations that "Esso" means "Standard". Plaintiffs have made the same allegations before the Patent Office on numerous occasions in their objections to certain trademark matters. Generally, the various Standard Oil Companies have tried to confine the use of the name

"Standard" and derivatives thereof to their own territories. However, there has been some overlapping in relation to radio, television and split-run ads on national publications resulting in a spilling over of advertising matter into each other's territory. Because of the fact that at one time there was only one Standard Oil Company and that company has been divided, a great number of persons are unaware that the Standard Oil Companies are, in fact, separate and distinct companies. This situation existed in 1937 and it exists today. In the middle west a number of surveys in evidence show that the name "Esso" means Standard Oil. As a matter of fact, outside the midwest plaintiffs have used on outdoor billboards a sign saying "Welcome to Tennessee where Esso means Standard Oil".

In 1954 Humble Oil and Refining Company, a Texas corporation, which at that time was a marketing subsidiary of plaintiff Standard Oil (New Jersey), settled its differences with Standard Oil (California), which were being litigated and the terms of this contract provided that the name or mark "Esso" may not be used in the States of New Mexico, Arizona, California, Oregon, Washington, Idaho, Utah and Nevada. In these states Standard Oil (California) claims the exclusive right to use the name and mark "Standard," and all derivatives thereof. Plaintiffs contend that it works a great hardship on them not to be able to use the name "Esso" throughout the United States. Even though this Court were to grant the relief they desire, it would appear that they could not use the name "Esso" in the western states nor can they use the name "Esso" in the southeastern states. This is one of the hardships which plaintiffs contend is being imposed upon them by this decree.

At the trial of this case witnesses for the plaintiffs stated that they had no objections to the defendants using

the name "Standard" in the east. This testimony is in contrast to and not consistent with the many objections which the plaintiffs had made to the use by anyone, including defendants, of the name "Standard" in plaintiffs' eastern region.

Plaintiffs state that their inability to advertise one brand name nationwide prevents competition. They want to use the name "Esso" nationwide. This cannot be done. There is nothing to prevent plaintiffs from using the name "Enco" nationwide. Plaintiffs are now competing vigorously with defendants in the midwest and in other areas under the name "Enco".

In 1955 Standard Oil (Indiana) entered into an agreement with Standard Oil (California) concerning advertising in each other's territory. This agreement provides that the companies shall not use the name "Standard" in each other's territory. This agreement is not a division of territory as plaintiffs contend, but is merely a codification of what the courts have already decided the parties are entitled to have and use.

Among the changes which plaintiffs contend the Court could not foresee in 1937 is the extensive use of radio and television and the great increase in the mobility of the traveling public both by our interstate highway systems, by air travel, and the development of the use of the credit cards. Plaintiffs contend this has caused the motoring public to recognize and distinguish the different Standard Oil Companies and particularly to distinguish "Esso" as being a separate and distinct company. There was some exchange of credit cards prior to 1937 and there is no question that this has increased greatly. At the present time, by and large, the various Standard stations throughout the country recognize and accept each other's credit cards. Radio

was in its infancy in 1937 and television had not begun and there is no question that this has had an impact on the buying public. The traveling public has become more mobile, both by automobile and by air. But, this Court cannot say that such conditions were unforeseen by the Court in 1937 or that they constitute such a change that the injunction should be modified. The fact remains that the confusion which existed in 1937 continues to exist and the conditions which exist today are merely an extension of conditions that led up to the 1937 decree.

The plaintiffs introduced a survey conducted by the firm of Louis Harris & Associates, Inc. The essence of this survey concerning the midwest, according to Mr. Harris, is that the maximum association between "Esso" and "Standard" in the midwest is eighteen percent of the population.

Defendants introduced a survey conducted by Steuart Britt. The essence of his survey was that thirty percent of the people in the midwest associated "Esso" with Standard Oil.

In 1956 a survey was made by the advertising agency of McCann-Erickson. Of the persons responding in the midwest 44.9% thought that the gasoline sold at Esso was made by Standard Oil or a related company.

An attorney for the defendants interviewed 1,965 people in thirteen cities in the midwest and showed them a picture of an Esso station; 38% of these persons thought this station sold Standard Oil gasoline.

Whatever the precise percentage of confusion between the products of the plaintiffs and those of the defendants may now exist, taking only the evidence introduced by the plaintiffs as to confusion in its most favorable light, there is still too much confusion in the minds of the public for the Court to permit a modification of the 1937 decree.

Appendix C

In 1937 Standard Oil (New Jersey) had assets of approximately two billion dollars and annual net profits of approximately one hundred fifty million dollars. By 1964 the assets of Standard Oil (New Jersey) had increased to twelve and one-half billion dollars and its net profits had increased to over a billion dollars. Based on these figures, it would appear to the Court that the decree entered by this Court in 1937 has not only failed to work an extreme hardship upon the plaintiffs, it has hardly even caused them an inconvenience.

In 1956 defendant Standard Oil (Indiana) obtained an injunction from the District Court of Wyoming against the use by Standard Oil (Ohio), of the name "Sohio" in the midwest. This judgment was affirmed by the 10th Circuit Court of Appeals in 1958.

On March 21, 1960, Rufus S. Day, Jr., and Maurice Hanning, representing Standard Oil (Ohio), met with Einar B. Paust, Assistant General Counsel of Standard Oil (New Jersey), Francis X. Clare, Trademark Counsel for Standard Oil (New Jersey), Leslie D. Taggart, outside trademark counsel for Standard Oil (New Jersey), and Nelson Jones, general counsel of plaintiff Humble, in the office of Mr. Paust in New York.

This Court first heard of this meeting in a hearing on the supplemental bill during December 1964, and the Court's decision on that matter is reported at 239 F. Supp. 97. The testimony and proceedings on the supplemental bill were introduced in evidence and are a part of this proceeding. As a result of this hearing, the Court enjoined the plaintiffs from continuing a lawsiut in Oklahoma City, Oklahoma.

Mr. Day testified at both the hearing on the supplemental bill and at the trial of this cause. He stated that he made

notes of the March 1960 meeting on the airplane returning to Cleveland, and a few days later his secretary typed up a memorandum from these notes. The memorandum was before the Court on the hearing on the supplemental bill and at the time of this trial. The essence of Day's testimony is that the attorneys for Standard Oil (New Jersey) proposed that Standard Oil (Ohio) cooperate with Standard Oil (New Jersey) and that Sohio start a station using the "Sohio" name in Esso territory and Esso start a station in Sohio territory using the "Esso" name and then that litigation be instituted with cross-claims, which would result in judicial decisions that there is no confusion between these names. On the basis of such decisions Standard Oil (Ohio) could use them in an attempt to get the Wyoming District Court decree modified. Standard Oil (New Jersey) would use such decisions in an attempt to get the 1937 St. Louis decree modified. An alternate proposal was that the names "Esso" and "Sohio" be used side by side and surveys be conducted to show that the public was not confused by the use of these names.

The hearing on the supplemental bill was held in December 1964. Francis X. Clare was present in the court room at the time of this hearing and did not take the stand to deny the testimony of Mr. Day. He later testified that the reason he did not take the stand at the hearing on the supplemental bill was on advice of counsel that this proceeding was not material to the main issues involved. It is remembered by the Court that in December 1964 discovery was going on between the parties and at that time plaintiffs did not know what evidence the defendants might secure relating to this meeting from the various files which the Court had ordered Standard Oil (New Jersey) to produce. By the time this case came on for a final hearing in January and

February, 1966, both parties knew exactly what would be introduced in evidence because of pretrial orders requiring a listing of documents, and discovery had been completed. At the time of the trial, Day and Hanning confirmed the testimony given by Day at the time of the hearing on the supplemental bill. All of the attorneys for the plaintiffs who attended the March 1960 meeting took the stand and categorically denied under oath that these suggestions for litigation had been made by them and stated that there had been no discussion whatsoever of litigation. It was called to the attention of plaintiffs' attorneys who took the witness stand that their testimony was in direct conflict with that of the attorneys for Standard Oil (Ohio). These witnesses were given an opportunity to reflect on their testimony and to change it, if they so desired. After reflecting, they reiterated their testimony. Plaintiffs' attorneys who testified, also testified that no notes were made by them and no memoranda were written by them as to what occurred at the March 1960 meeting. Standard Oil (Ohio) rejected the proposals made to them by plaintiffs' attorneys. After the meeting in March 1960, Humble entered Ohio but used the name "Enco" and not "Esso". The Court is of the opinion that the testimony of Day and Hanning is the truth.

The Court is of the opinion that the meeting in New York between the lawyers of Standard Oil (Ohio) and the lawyers of Standard Oil (New Jersey) is material and directly related to the instant litigation. The proposals made by plaintiffs' attorneys at the New York meeting were not legitimate attempts to solve business problems. Those proposals go beyond the point a lawyer may go in behalf of a client. A corporate employee and attorney may not attempt to deceive the courts to advance the interests of his employer. The proposals made in the New York meeting,

coupled with the abortive suit in Oklahoma, which was stopped by this Court, and the testimony of plaintiffs' employees and lawyers in denying the proposals, are condemned by this Court. Their conduct falls squarely within the doctrine of unclean hands. Even though the evidence presented by the plaintiffs were more convincing and even though plaintiffs had shown the Court by clear and convincing evidence that they were entitled to relief, no relief would be granted to them because of their conduct

The leading case on the subject of modifying an injunction is United States v. Swift & Co., 286 U. S. 106, 52 S. Ct. 460, 76 L. Ed. 999 (1932), and this case has been followed by the 8th Circuit Court of Appeals, see Bowdil Co. v. Central Mine Equipment Co., 216 F. 2d 156 (1954). Justice Cardozo speaking for the Court at page 119 of the *Swift & Co.*, case, 52 S. Ct. at page 464, supra, said:

> "We are not framing a decree. We are asking ourselves whether anything has happened that will justify us now in changing a decree. The injuction, whether right or wrong, is not subject to impeachment in its application to the conditions that existed at its making. We are not at liberty to reverse under the guise of readjusting * * *. The inquiry for us is whether the changes are so important that dangers, once substantial, have become attenuated to a shadow. No doubt the defendants will be better off if the injunctions is relaxed, but they are not suffering hardship so extreme and unexpected as to justify us in saying that they are the victims of oppression. Nothing less than a clear showing of grievous wrong evoked by new and unforeseen conditions should lead us to change what was decreed * * *."

Appendix C

The use of the name "Standard" and all derivatives thereof belongs to Standard Oil (Indiana) in the midwest states as this Court held in 1937. To permit this decree to be modified on the evidence presented to this Court would cause the motoring public a great deal of confusion and would cause a substantial loss to the defendants. Their customers would not know the difference between the Standard torch and oval as used in the midwest and the Esso in the oval as used by the plaintiffs. The motoring public in the midwest would be buying plaintiffs' products thinking they were defendants'. The injunction of 1937 does not prohibit the plaintiffs here from competing with the defendants in the midwest. They are at liberty to build all the filling stations, sell all the gasoline and do anything else they want to do, under the name "Enco" or any other name they choose to adopt other than "Esso" or some derivative of the name "Standard Oil". This, they are and have been doing. They have sufferered no hardship. While the defendants in this case have had some change in the use of the initials "S O" and "S O C O" from 1937 to the present date, there has been a substantial and continued use of these initials. In the early stages of this case the court reporters had great difficulty in determining whether the lawyers were saying "S O" or "Esso". When pronounced they sound identical. Both mean Standard Oil.

The test of losing the right to the use of a trademark may be by abandonment, non-use, laches, or acquiescence, and abandonment must be coupled with intent to abandon. Hanover Star Milling Co. v. Metcalf, 240 U. S. 403 36 S. Ct. 357, 60 L. Ed. 713 (1916). None of these has been shown by the evidence. No abandonment of the defendants' right or any intention to abandon the name "Standard" or its derivatives has been shown by the evidence.

Turning now to the 1960 meeting between plaintiffs' attorneys and the attorneys for Standard Oil (Ohio), and the subsequent conduct of plaintiffs' attorneys, does this fall within the doctrine of unclean hands? The courts have set out the guidelines for the doctrine of unclean hands on a number of occasions. The Supreme Court speaking through Justice Murphy in Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co., 324 U. S. 806, 65 S. Ct. 993, 89 L. Ed. 1381 (1945), said:

> "The guiding doctrine in this case is the equitable maxim that 'he who comes into equity must come with clean hands.' This maxim is far more than a mere banality. It is a self-imposed ordinance that closes the doors of a court of equity to one tainted with inequitableness or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant. That doctrine is rooted in the historical concept of court of equity as a vehicle for affirmatively enforcing the requirements of conscience and good faith. * * * Thus while 'equity does not demand that its suitors shall have led blameless lives,' * * * as to other matters, it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue. * * *
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> "* * * Accordingly one's misconduct need not necessarily have been of such nature as to be punishable as a crime or as to justify legal proceedings of any character. Any willful act concerning the cause of action which rightfully can be said to trangress equitable standards of conduct is sufficient cause for the invocation of the maxim by the chancellor."

The conduct of the plaintiffs' attorneys in the 1960 meeting in New York was a long-range effort to get the St. Louis decree modified and the abortive suit brought by the plaintiffs in Oklahoma, which was stopped by this Court, and the testimony of plaintiffs' attorneys at the trial fall squarely within the doctrine of unclean hands. See also Keystone Driller Co. v. General Excavator Co., 290 U. S. 240, 54 S. Ct. 146, 78 L. Ed. 293 (1933); Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488, 62 S. Ct. 402, 86 L. Ed. 363 (1942); Shaver v. Heller & Merz Co., 108 F. 821, 65 L. R. A. 878 (8 Cir. 1901).

A decree will be entered dismissing the plaintiffs' complaint and continuing the injunction granted by this Court in 1937.